



The Development Context of Zambia: An Update and Analysis, with Lessons Learned and Recommendations for USAID's Next Strategy Plan

Volume 1

*Prepared for USAID/Zambia
Under USAID Contract No. PCE-I-00-00-00015-00,
Task Order No. 804*

August 14, 2002

The Development Context of Zambia:

**An Update and Analysis, with Lessons Learned and
Recommendations for USAID's Next Strategy Plan**

Volume 1

DAI

August 14, 2002

TABLE OF CONTENTS

VOLUME 1

ACRONYMS.....	V
EXECUTIVE SUMMARY	VIII
PREFACE	XII
BACKGROUND TO THE CONTEXTUAL STUDY	XIII
INTRODUCTION	XV
CHAPTER 1 – OVERVIEW	1
POLITICAL AND GOVERNANCE UPDATE.....	1
ECONOMIC UPDATE	3
SOCIAL SECTORS UPDATE	15
POVERTY: SUMMARY PROFILE AND CAUSES	21
KEY DEVELOPMENT CHALLENGES	24
CHAPTER 2 - THE MULTI-SECTOR APPROACH AND HIV/AIDS.....	27
INTRODUCTION	27
CHAPTER 3 - KEY CONSTRAINTS, ISSUES, AND OPPORTUNITIES	33
GOVERNANCE.....	33
FOOD SECURITY	37
EXTERNAL CONSTRAINTS AND ISSUES	40
HIV/AIDS AND THE SOCIAL SECTORS OF HEALTH AND EDUCATION.....	44
CHAPTER 4 - LESSONS LEARNED FROM ONGOING PROGRAMS	49
DRAWING ON OTHER DONORS' EXPERIENCE	49
DRAWING ON USAID/ZAMBIA AND PRIVATE SECTOR EXPERIENCE	51
CHAPTER 5 - PROPOSALS FOR USAID’S NEXT COUNTRY STRATEGY	60
THEMATIC AND SECTOR DEVELOPMENT HYPOTHESES.....	60
RECOMMENDED INTERVENTIONS.....	62
CHAPTER 6 - IMPLICATIONS FOR FURTHER RESEARCH	79

List of Tables

TABLE 1: ZAMBIA - SELECTED ECONOMIC AND DEMOGRAPHIC INDICATORS.....	4
TABLE 2: STRUCTURE OF THE ECONOMY AND EXPORTS, 1980-2000.....	9

VOLUME 2

ACRONYMS.....	iii
ANNEX 1: STATEMENT OF WORK	1
ANNEX 2: DISTRIBUTION OF POWER IN THE POST 2001 ELECTIONS PARLIAMENT	8
ANNEX 3: ZAMBIA - SELECTED ECONOMIC INDICATORS.....	10
ANNEX 4: ZAMBIA’S EXTERNAL DEBT STOCK, 1997 – 2001, (US\$ MILLION)	12
ANNEX 5: THE SIGNIFICANCE OF AID	14
ANNEX 6: GRZ’S PLANNED EXPENDITURE IN AGRICULTURE	16
ANNEX 7: THE GRZ’S CHANGING AGRICULTURAL POLICY.....	18
ANNEX 8: AGRICULTURE REAL GROWTH RATES, 1992-2001.....	21
ANNEX 9: WORLD COPPER PRICES, 1974-2000	23
ANNEX 10: KEY ELEMENTS OF THE AID APPROACHES OF ZAMBIA’S MAIN BILATERAL DONORS.....	25
ANNEX 11: CROSSCUTTING THEMES	27
ANNEX 12: THE GLOBAL DEVELOPMENT ALLIANCE (GDA).....	32
ANNEX 13: ZAMBIA’S POVERTY PROFILE.....	35
ANNEX 14: OPTIMAL IMPACT AREAS AND PROPOSED STRATEGIC INTERVENTIONS ...	42
ANNEX 15: MULTI SECTOR APPROACH HIV/AIDS	54
ANNEX 16: THE MULTI-SECTOR APPROACH TO DEVELOPMENT IN ZAMBIA	57
ANNEX 17: PARTNER AND STAKEHOLDER LIST	64
BIBLIOGRAPHY.....	70

List of Tables and Figures

TABLE 1: DISTRIBUTION OF POWER IN THE POST 2001 ELECTIONS PARLIAMENT.....	9
TABLE 2: ZAMBIA - SELECTED ECONOMIC INDICATORS	11
TABLE 3: ZAMBIA’S EXTERNAL DEBT STOCK, 1997 – 2001, (US\$ MILLION)	13
TABLE 4: KEY ELEMENTS OF THE AID APPROACHES OF ZAMBIA’S MAIN BILATERAL DONORS.....	26
TABLE 5: INCIDENCE, DEPTH, AND SEVERITY OF POVERTY BY RURAL/URBAN CLASSIFICATION AND PERCENT CHANGE BETWEEN 1991 AND 1998.....	36
TABLE 6: INCIDENCE OF POVERTY BY SOCIOECONOMIC STRATUM AND PERCENT CHANGE BETWEEN 1996 AND 1998.....	38
TABLE 7: INCIDENCE OF POVERTY BY HEAD OF HOUSEHOLD GENDER	39
TABLE 8: POVERTY INCIDENCE AND DISTRIBUTION BY PROVINCE 1998.....	39
TABLE 9: NON-INCOME POVERTY INDICATORS	40
FIGURE 1: AID FLOW TO ZAMBIA, 2000 AND 2001 (US\$ MILLION)	15
FIGURE 2: AGRICULTURE REAL GROWTH RATES, 1992-2001	22
FIGURE 3: WORLD COPPER PRICES, 1974-2000	24
FIGURE 4: DISTRIBUTION OF POVERTY	37

ACRONYMS

ACC	Anti-Corruption Commission
ACF	Agricultural Consultative Forum
ACP	African, Caribbean Pacific countries
ADB	African Development Bank
ADF	African Development Fund
AFD	French Aid
AGOA	African Growth and Opportunity Act
ASNAPP	Agribusiness in Sustainable Natural African Plant Products
BESSIP	Basic Education Sub-Sector Investment Program
BOP	Balance of Payments
CBI	Cross-Border Initiative
CBNRM	Community Based National Resource Management
CF	Conservation Farming
CFU	Conservation Farming Unit
CIDA	Canadian Aid
CLUSA	Co-operative League of the USA
COMESA	Common Market for Eastern and Southern African Countries
CPI	Corruption Perception Index
CSO	Central Statistics Office
CSP	Country Strategy Plan
DAI	Development Alternatives International
DANIDA	Danish Aid
DBA	District Business Association
DEC	Drug Enforcement Commission
DFID	Department for International Development (British Aid)
DG	Democracy and Governance
DGIS	Director General for Development Co-operation
DHS	Demographic Health Survey
DRC	Democratic Republic of Congo
ECCED	Early Childhood Care, Education & Development
ECZ	Electoral Commission of Zambia
EMIS	Educational Management Information System
EU	European Union
FDI	Foreign Direct Investment
FINNIDA	Finnish Aid
FODEP	Foundation for Democratic Process
FSRP	Food Security Research Project
FSRP	Food Security Research Program
GDA	Global Development Alliance
GDP	Gross Domestic Product
GMA	Game Management Area
GRZ	Government of the Republic of Zambia

GTZ	German Aid
HCC	Health Center Committee
HIPC	Heavily Indebted Poor Country
ICT	Information and Communication Technology
IDA	International Development Agency
IESC	International Executive Service Corp
IFI	International Finance Institution
ILO	International Labor Organization
IMF	International Monetary Fund
IR	Intermediate Result
IRI	Interactive Radio Instruction
ISP	Internet Service Provider
IT	Information Technology
ITN	Insecticide Treated Nets
KCM	Konkola Copper Mine
LuSE	Lusaka Stock Exchange
MAFF	Ministry of Agriculture Food and Fisheries
MMD	Movement for Multi-Party Democracy
MOE	Ministry of Education
MSA	Multi-Sector Approach
MSU	Michigan State University
NAC	National AIDS Council (National HIV/AIDS/STD/TB Council)
NCBPGG	National Capacity Building Program for Good Governance
NEP	National Energy Plan
NEPAD	New Partnership for African Development
NFRE	Non-Farm Rural Enterprise
NGO	Non-Government Organization
NHC	Neighborhood Health Committee
NORAD	Norwegian Aid
NTB	Non-Tariff Barrier
OPPAZ	Organic Producers' and Processors' Association of Zambia
PAGE	Promoting the Advancement of Girls' Education
PRSP	Poverty Reduction Strategy Paper
PSDP	Private Sector Development Program
REDSO	Regional Economic Development Services Organization
REP	Rural Electrification Plan
RfP	Request for Proposals
RSA	Republic of South Africa
SADC	Southern African Development Community
SAP	Structural Adjustment Program
SHD	Sustainable Human Development
SHN	School Health and Nutrition
Sida	Swedish Aid
SMME	Small, Micro and Medium-size Enterprise
SO	Strategic Objective
SOE	State-owned Enterprises

SOW	Statement of Work
SWap	Sector Wide Approach
TB	Tuberculosis
TDCA	Trade, Development and Co-operation Agreement
TI	Transparency International
TNDP	Transition National Development Plan
UNDP	United Nations Development Program
UNHCR	United Nations High Commissioner For Refugees
UNICEF	UN Children’s Fund
UNIDO	United Nations Industrial Development Corporation
UNIP	United National Independence Party
UPND	United Party for National Development
VCT	Voluntary Counseling and Testing
WTO	World Trade Organization
ZACCI	Zambia Association of Chambers of Commerce and Industry
ZAMTIE	Zambia Trade and Investment Enhancement Project
ZATAC	Zambia Agribusiness Technical Assistance Center
ZAWA	Zambia Wildlife Authority
ZCC	Zambia Competition Commission
ZCSMBA	Zambia Chamber for Small and Medium Business Associations
ZEGA	Zambia Export Growers' Association
ZFAP	Zambia Forestry Action Plan
ZIC	Zambia Investment Center
ZIHP	Zambia Integrated Health Program
ZNFU	Zambia National Farmers’ Union
ZPA	Zambia Privatization Agency
ZRA	Zambia Revenue Authority

Executive Summary

The Contextual Study is a portrait of Zambia's development context in mid-2002. In addition to analyzing that context and bringing it up to date, the paper considers lessons learned by USAID/Zambia and other development partners during the present Country Strategy Plan period (1998-2003), while making recommendations for a new Country Strategy Plan due to take effect October 1, 2003.

The consulting team organized its work according to three grand themes that dominate the Zambian scene today: **governance**, poor **food security**, and **HIV/AIDS**. It found that in every setting the overriding effect of **governance**, good or bad, was inescapable. The lack of **food security**, illustrated by widespread hunger, the emblem of economic failure in a potentially rich land, is a theme under which the revival of the economy, especially agriculture, must be placed first if poverty is to be alleviated. **HIV/AIDS**, the great plague of our times, serves as the fitting symbol of the basic social services the Zambian people need, services that will enable them to avoid AIDS and other deadly diseases as well as to acquire the basic education by which they can improve their standard of living.

Challenges

From this consideration of current development status the report concludes that three significant broad categories of challenge emerge, linked to the great themes of **HIV/AIDS, governance, and food security**. Further, the theme of gender, must be considered to improve the understanding of and response to the three others.

More specifically, Zambia is massively challenged to meet the *basic health and education needs* of its people. **HIV/AIDS** serves as the most dramatic symbol of this challenge, which could be stated as the provision of those basic social services that are indispensable to lifting the ordinary family from a condition of sheer survival to a state of being able to improve its own life. Some principal features of this people challenge in health are the information and services that help people avoid deadly diseases such as HIV/AIDS and malaria, and access to clean drinking water. In education they are universal access to basic schooling, improved access to skills training and wide access to adult education. These are prerequisites to poverty alleviation.

Within **governance** are grouped the *fundamental standards of public life*, notably accountability and financial probity in public office and a civil service reform that builds capacity while increasing efficiency and reducing costs, leading to a sharp decrease in corruption across the board. Establishment and vigilant enforcement of these standards must be accompanied by *effective delivery of public services*, certainly those enumerated above under health and education but also ones of economic importance such as providing or facilitating access to fuel, power, raw materials, and communications at

reasonable cost, a greater outreach and efficiency of communication services including transport, and the creation and maintenance of good access to and a level playing field for domestic, regional and international markets. Meeting the governance challenge in this manner will encourage the private sector to flourish, create jobs and raise incomes to help alleviate poverty.

Meeting the challenge associated with **food security** notably means *reviving the economy, and that particularly means reviving agriculture (and related value-added industry)*: agriculture so that people have enough to eat to stave off hunger, and agriculture so that people can earn enough cash income to raise their standard of living. This is how poverty can be alleviated. Such a complex matter in its broad context will be treated here by suggesting some important examples of change that must occur. It is essential to do the following:

- Raise awareness that responding to market demand rather than production preferences is of paramount importance
- Increase the number of market places and amount of market activity in rural and peri-urban areas
- Improve knowledge of regional and international market demand and prices
- Link up agribusinesses with the small-scale farming community
- Encourage increased participation in the sector by well informed and capable Zambians
- Plan to mitigate the multi-faceted impacts of HIV/AIDS on producers and sectors
- Take advantage of export opportunities including entry into the European organic market and the U. S. market through AGOA
- Improve access to investment finance
- Improve animal health
- Improve agricultural practices and higher yields in the smallholder sector
- Extend basic skills in crop husbandry and expand use of appropriate technology in tillage and irrigation, including conservation farming. Increase access to appropriate technology equipment (especially hand and draft animal tools) for labor saving and added value
- Encourage expanded production of drought tolerant crops in the Southern and Western Provinces and establishes a food reserve under competent and well funded management
- Facilitate access to land with services for smallholders and for resettlement of urbanized farmers with potential to produce
- Increase access to seasonal credit and medium and long- term loans at interest rates that leave scope for viability

As a corollary, joining tourism promotion to the preservation, regeneration and enrichment of the natural resource base can contribute to rebuilding the economy. This will add jobs and raise income while stimulating positive participation and reward sharing by local people through community-based natural resources management (CBNRM).

The Mission has derived major lessons from its own experience and those of a variety of public and private partners. The consulting team found on balance that USAID/Zambia's present program is interesting and effective. It offers an excellent platform from which to launch a new Country Strategy Plan.

Components of the New Strategy

For the new plan period, the paper offers several broad development hypotheses:

One is that *the practice of good governance principles is essential to development progress and a donor can help to encourage better governance in Zambia through its program*. The fact is that throughout its work across various strategic objectives USAID/Zambia employs sound principles of governance as it engages partners and stakeholders from the rural and urban communities it is aiming to benefit right up to government ministers. Not only is this approach important, it puts on display numerous practical examples of good governance that may influence others. We urge that the broad governance approach be recognized and given intellectual prominence for the importance it represents in every Mission endeavor, for it is an essential element of USAID/Zambia's effort to deal with one of the country's overriding development themes. Certainly this is not enough by itself: stressing governance in more than one way, at more than one level, is vital to helping Zambia meet its development challenge to achieve clean, effective government. Another avenue is the specific Democracy-Governance program activities undertaken within the SO 4 portfolio.

Those recent activities have emphasized the mobilizing of civil society to achieve governance ends. As that important effort continues, the Mission should also seek ways to engage Zambia's new government on the grand tasks of institutional change, for instance constitutional reform. We believe further that neither the effect nor the importance of Democracy-Governance work should be measured and assessed by its cost, which is likely to remain low relative to that for other SOs.

Evidence exists of widespread, chronic hunger and malnutrition among many Zambians -- of an order and frequency that causes poverty as well as exemplifying it. *The hypothesis here is that economic growth will bring about improved food security and a reduction of poverty*. Economic growth means reviving Zambia's agriculture and related industry through effectively applying the enterprise of the people to available resources so as to efficiently meet the demands of accessible domestic and export markets with competitive production. The new focus of USAID's anti-hunger and anti-poverty interventions, therefore, should be to kindle the flame of efficient commercial enterprise in market-oriented production. In agriculture this implies promoting increased and sustainable yields of commodities tailored to market demand, at competitive prices, with value added at source. In small-scale industry and natural resources it implies stimulating entrepreneurial enterprise in detecting opportunities to efficiently provide goods and services to meet demand by sustainable application of available resources.

And nationally it implies creating a favorable socio-political context for fluid conduct of commercial activity in a system where accountability and probity are securely enshrined by effective implementation of legal provisions.

All of Zambia's development undertakings risk being swept away by HIV/AIDS. It is our third hypothesis that *only a concerted, intense, far-reaching mass effort can turn the tide against the virus and save coming generations*. It is imperative -- indeed, it is obvious -- that all development partners must accelerate their cooperation with the people and government of Zambia to reduce HIV/AIDS prevalence and to mitigate the emerging impacts of HIV/AIDS. Prevalence reduction can be done: Uganda has shown the way. Early signs are appearing of what may be the first evidence of rate reductions in Zambia. HIV/AIDS mitigation must be done: we find further that a multi-sector approach (MSA) to the epidemic offers the best prospect of making rapid, concrete progress and so urge USAID/Zambia to strengthen, upgrade and accelerate its MSA against HIV/AIDS in the coming strategy plan, along the lines suggested in this document.

The strong kind of basic service delivery that can help reduce HIV/AIDS is also imperative in basic education. There the Mission is playing a key role at improving the quality of this indispensable development service while also demonstrating the essential role of basic education in communicating to teachers, staff and students alike the message of self-protection against HIV/AIDS. These two fundamental social sectors are indispensable for helping lift people to the stage of being able to improve the quality of their own lives.

Our fourth hypothesis is that USAID/Zambia has the opportunity to enhance results – to increase food security, expand agriculture and economic activities, combat HIV/AIDS and improve governance – through a strategic focus on gender mainstreaming. Each of the areas highlighted by this team involves different roles for, and impacts on, women and men. Such a focus poses challenges on several levels. (1) to use the process of developing the Country Strategy Plan to identify gender-based obstacles and opportunities, (2) to develop programs that address them, (3) to help the GRZ and organizational partners improve their capacity to understand gender issues and deal with them effectively, and (4) to establish internal systems by which to monitor gender-related impacts.

Finally, the contextual study offers a number of proposals for the kinds of interventions and strategic options that USAID/Zambia may wish to consider as it prepares its new country strategy plan. These represent our considered views on the most effective approaches to helping Zambia cope with the sweeping national demands placed on it by HIV/AIDS, food security and governance.

Preface

The Contextual Study team began its work in Zambia on May 22, 2002. The majority of the report was turned in to USAID in final on July 9. The submission of material on the multi-sector approach to HIV/AIDS; lessons learned, recommended interventions and strategic options in health and HIV/AIDS; and further research in those fields was delayed for reasons beyond our control. Those sections will be found integrated into the present document.

The team thanks all those many people in the Government of the Republic of Zambia (GRZ), USAID/Zambia, cooperating agencies and contractors, other donors, non-government organizations (NGOs), the private sector, and the other partners and stakeholders who gave freely of their time, views, documents and suggestions as we did our work. An annex lists those apart from USAID staff that we consulted in one way or another. In USAID, hardly anyone escaped our presence.

This report generally presents a unified position on the major questions at hand. From time to time, though, the reader may notice differing positions stated on a specific issue. To the perfectly-ordered mind this may appear inconsistent: we prefer to see it as the normal turmoil of ideas that could eventually contribute to better understanding. As the nine members of this international consulting team are products of a rich range of different backgrounds and experience, it is reasonable to expect them to offer a range and variety of analytical judgments. We invite USAID/Zambia to benefit from any divergences as it works toward further development of the ideas that will lie at the heart of a new country strategy plan starting in 2003.

BACKGROUND TO THE CONTEXTUAL STUDY

In its statement of work, the Mission instructed the contextual study team to "identify new sectoral and thematic development hypotheses for the USAID program in Zambia and propose strategic options for USAID/Zambia's next CSP. The study will also propose approaches and indicative results associated for the strategic options.... USAID/Zambia emphasizes multi-sectoral approaches to HIV/AIDS mitigation and promoting accelerated economic growth as its priorities. Within the context of U. S. national interest, USAID pillars and USAID's comparative advantage, the study will determine and recommend priority areas for possible USAID interventions"

More specifically, the team was to:

- Update the development challenge in Zambia
- Review lessons learned from the Mission's experience
- Determine the opportunities and constraints to accelerated economic growth and poverty reduction
- Determine optimal impact areas for interventions
- Propose strategic options and
- Identify areas for further research

The SOW is found in Annex 1.

The team consulted a Literature Review prepared just before its work began and many other documents provided or suggested by USAID/Zambia and its partners and stakeholders. It met individually and collectively with a large number of officials and staff of the Mission, the GRZ, the cooperating agencies and contractors, non-government organizations, the private sector, civil society and other donors in a variety of formats ranging from one-on-one discussions to preliminary presentations of ideas, vetting and feedback sessions. These contacts were carried out in and around Lusaka and, as a sample of fieldwork, in Southern Province where the USAID program is very active. As planned the team submitted a table of contents for USAID/Zambia's clearance, prepared and submitted a list of stakeholders being consulted during the study, submitted the first and final draft reports, and handed in the final report.

To help guide the user, this report presents its findings in several analytical tiers. The great themes set forth in the Introduction represent the highest level of abstraction: they sum up the broadest set of conclusions regarding Zambia's development condition in 2002.

In the first four chapters, we offer several messages growing out of the team's analysis and observation of the current development context. They are couched in multi-

sector terms as well as being directed broadly toward the USAID's present work in economic growth, basic education, population, health and nutrition, and democracy and governance.

The most specific tier, Chapter 5, suggests proposed new sector and thematic development hypotheses and recommends possible USAID interventions along with strategic options to consider.

Mission leadership consistently emphasized to the team that its task was to tend to the broad development context and the multi-sector approach, the latter especially in relation to HIV/AIDS. In the run-up to the new strategy, it was stressed that this consulting team is unique in bringing a multi-disciplinary and cross-sector perspective to the USAID's preparations. Moreover, each USAID SO team also has a technical group coming in to look specifically at its sector and SO. Hence the DAI team was not asked to conduct, nor did it conduct, a detailed or in-depth examination of sectors, SOs or any individual topic, leaving that kind of work to the others being charged with it.

Team Members:

George T. Eaton, Team Leader

John F. W. Fynn, Agricultural Economist

Charlotte Harland, Social Welfare and HIV/AIDS Specialist (July 3-19, 2002)

Laurie Liskin, HIV/AIDS Specialist (until June 22, 2002)

Njunga Mulikita, Political Scientist

Eliot Putnam, International Health Consultant (July 6-21, 2002)

Bill Rau, Multi-Sector HIV/AIDS Program Specialist (contributing from Maryland, July 1-20, 2002)

Oliver S. Saasa, Social Scientist

Samira Salem, Economist

The Development Context in Zambia: An Update and Analysis, with Lessons Learned and Recommendations

Introduction

Despite Zambia's abundant natural resources, the country's population is considerably poorer than it was at independence 38 years ago. And Zambia is the only country to have worse UN human development indicators in 1997 than in 1975.

The specter of HIV/AIDS stalks the land, wreaking death and misery on a scale without precedent since the European plagues six centuries ago. By its nature, this new disease induces social denial, multiplying its impact and ensuring that generations to come will suffer.

This is the context faced by Zambians and their development partners at the dawn of the 21st century. Within this reality, USAID/Zambia must prepare its next Country Strategy Plan (CSP), due to take effect October 1, 2003.

The Mission asked the Contextual Study team to present the broadest view of Zambian development that will be taken by any outside participants in the preparation for an eventual new CSP. We are instructed to set the grand development scene, to portray the sweeping themes that we propose should guide USAID's thinking through the next few years. With the intensity of this work, it is inevitable that a good deal of detail has been included. We have tried always to employ it in the service of the larger context.

Everywhere we have looked, **governance**¹ has come up as an overriding condition for sustained and durable development. Even in a setting of improved economic policies, any promising development action, public or private, will always be

¹For the purpose of the Contextual Study, we distinguish three tiers of meaning for governance: the highest level is the sense used in the above paragraph. Next comes the across-the-board governance approach USAID uses throughout its portfolio regardless of SO, which the Mission might well raise to a higher profile in USAID/Zambia as a major intellectual and organizing principle that drives its approach to development work. In the most specific meaning, governance refers to the D G program activities undertaken within the SO 4 portfolio.

hampered and eventually stymied by poor governance, usually sooner than later. The effect of governance, joined with the enormous, worsening impact of **HIV/AIDS**, is primordial in Zambia.

Food security is another huge topic that cuts across the entire spectrum. Doubtless, hunger is more severe than usual in this drought year, but evidence is mounting of systemic general hunger in the country: for instance, of some hungry, malnourished children in classrooms where they neither can perform well nor are likely to stay for long in that state.

It is tempting to extend the list of sweeping themes and easy to do so. Virtually no major development front exists in Zambia that does not require serious, wide scale attention. But not even the ensemble of donors, let alone one among them, can succeed at treating all of the great themes. If USAID/Zambia sets off in its contemplation of a new strategy broadly informed and driven by these three, it will be on a good track.

As fresh strategy work begins, it is timely to remember the eternal truth that outsiders cannot develop Zambia: only Zambians can do it. And Zambians must, in the end, find their own way to do it. Donors may help but can never be the heart of the matter.

The human experience of induced development to date ought to infuse everyone, of any nationality or ideology, with an acute sense of humility. We have all failed more than we have succeeded. Still, we have learned some lessons. May this report help to advance us a little more toward mastery of what lies ahead.

Prosperity, health and hope for Zambians

Chapter 1 – Overview

Political and Governance Update

Zambia is a constitutional republic and the latest Zambian constitution, Zambia's third, became the fundamental law in 1996, preserving for the most part a balance of power between the executive, the legislature, and the judiciary. The president has executive powers, must seek re-election after a five-year period, and can serve only two terms. The presidency is a powerful post in Zambia, giving the incumbent wide discretionary powers and considerable scope for patronage. For all the achievements of democratic reform in Zambia, presidential power and patronage continue to be concentrated and centralized. The 1996 constitution has also strengthened the powers of the legislature—the National Assembly, a 158-seat body in which the ruling MMD currently holds 77 seats. Prior to September 2001, when the ruling party had a comfortable two-thirds majority in parliament, parliamentarians rarely challenged the government or gave much critical scrutiny to legislation.

The constitution circumscribes the power of the judiciary to pronounce legislation as unconstitutional and also empowers the president to remove high court judges if he decides they have committed gross misconduct. The 1996 constitution was passed despite hostility from opposition parties, human rights groups, churches, trade unions, the independent press, lawyers association and many international bodies. The close identification of the constitution with the ruling party mirrors the fact that the constitutional review exercises of 1973, 1991 and 1996 and the divisive bid by former President Chiluba to introduce an amendment to enable him run for a third term may have been leading Zambia towards internalizing a culture of politicized constitutions, which not only lack universal consensus but are susceptible to political manipulation. The spirited defense of the constitution by a cross-section of Zambian society in 2001 could therefore be cautiously viewed as signaling a broad national consensus in favor of an emergent culture of 'good' and 'accountable' governance.

The 2001 Presidential and Parliamentary Elections

The Presidential, legislative and local government elections held on 27 December 2001 produced a political landscape never witnessed since independence from Great Britain in 1964. Firstly, amidst allegations of massive vote rigging and electoral fraud, the MMD presidential candidate Levy Mwanawasa obtained 28.7 % of the popular vote narrowly defeating the candidate of the UPND, Anderson Mazoka, who managed 26.8 % of the vote. It is significant that the combined opposition vote for Mazoka and nine other presidential candidates was 69.9 %, thus pointing out that if the opposition was not so fragmented—splitting the vote -- they could have secured the presidency. Only 19.5 % of registered voters cast their ballots for Mwanawasa, just 10 % of those eligible to vote, leaving him with the weakest electoral mandate of any Zambian President. Secondly, the elections produced a well-balanced parliament wherein neither the ruling MMD nor the combined opposition enjoyed a landslide majority. What these results pointedly indicate is that the MMD will no longer be able to play the same dominating role in Zambian politics as

in the 1991 to 2001 period. The current parliament, as shown in Annex 2, contains unprecedented numbers of opposition members and will be the most representative since Zambia gained independence in 1964.

Human Rights and Domestication of International Protection Instruments

Although fundamental rights are guaranteed in the Republican Constitution, several concerns regarding the manner the country has so far been managed in the area of governance have been persistently expressed. Firstly, the non-domestication of several international instruments and conventions Zambia has ratified has continued to constrain the speed at which the needed internal reforms are affected regarding the rights enjoyed by the citizens. Secondly, the accessibility to courts of law is limited by the inadequacy of courtrooms and judges as well as prosecutors, a phenomenon that delays the execution of justice.² The inadequate legal, human resource, and financial support to institutions such as the Zambia Law Development Commission has implied that laws are not revised in time to keep up with the aspirations of the citizens.

The Scourge of Corruption

Reports of widespread corruption during the ten-year reign of President Chiluba have been publicized in the state and non-state media since the ‘New Deal’ government of President Mwanawasa came into office late in 2001. It is worth pointing out that the agenda of reform pursued by the MMD government since 1991 failed to address the fundamental structural determinants of corruption and patronage as well as the impact of these interrelated vices on good governance. Indeed, if anything, the withdrawal of state intervention in economic governance may have increased rather than decreased the scope for corruption. The freeing of market forces appears to have weakened the regulatory capacity of the state, while privatization has afforded opportunities for the political elite to acquire public assets cheaply or fraudulently, and market forces have not measurably reduced the charging of gate-keeping rents or bribes. Despite the initial hopes of the ruling Movement for Multiparty Democracy, development policy remains too often determined by the extent to which government plans overlap with personal enrichment projects. It is in light of this background that the 2001 global corruption survey of the Berlin based non-government organization, Transparency International (TI), which ranks countries on both a bribe payers and Corruption Perception Index (CPI), and is based on several independently conducted surveys, rates Zambia as the second most corrupt country in Southern Africa. This ranking confirms that Zambia is regarded as a place where corruption in public and business life is widespread. There is therefore an urgent need to develop strategies that de-link private resource accumulation through corruption from access to public office through politics.

² See Chernick, Mark et al. 1997. *The Transition to Democracy in Zambia: A Democracy & Governance Strategy*. (June).

Economic Update

Macroeconomic Performance

Zambia, a country with a population of slightly over 10 million inhabitants, has experienced a secular economic contraction over the last three decades. Zambia's per capita income, about \$640 (measured in constant 1985 PPP international dollars) is approximately 58% of the level in the mid-1960s and its exorbitantly high poverty levels reflect this.³ The country's fortunes declined as a result of a number of factors that included such external shocks as the decline in copper prices and the post-1974 rise in oil prices as well as bad policies and droughts. Indeed, Zambia's failure to adjust its policies in response to the economic decline worsened the situation. Foreign borrowing was increased in an attempt to sustain the standard of living of the average Zambian. As a consequence of this policy, by the mid-1980s, Zambia had become one of the most indebted nations in the world relative to GDP.

Zambia began implementing its Structural Adjustment Program (SAP) in 1991. The SAP aimed at liberalizing key markets, rationalizing the external debt, reorganizing and reducing the public sector, privatizing the state-owned enterprises (SOEs), and revitalizing the mining sector. These reforms, however, were often piecemeal and consequently the fundamental attributes of the economy were not significantly altered. In particular, SAP failed to sufficiently take into account poverty reduction. Nevertheless, the policy of liberalization has resulted in the demise of many state enterprises that operated under a sheltered market, privatization saw the departure of highly inefficient state enterprise, and opportunities for the private sector to replace the public sector as the dominant actor in the Zambian economy are emerging.

The most recent key macroeconomic variables relating to the growth in GDP, inflation, and money supply display a mixed picture. The following figures are particularly noteworthy:

- For the third consecutive year in 2001, real GDP growth was positive, at 5.2 percent.
- The overall balance of payments deficit widened by 14.7 percent in 2001 to US\$ 428 million.
- The total external debt stock at the end of 2001 stood at an estimated US\$7.3 billion, an increase from US\$6.3 billion at the end of 2000.
- Relative stability was restored in the foreign exchange market with the kwacha appreciating by around 8 percent against the U. S. dollar, compared to the depreciation of 58 percent in 2000.
- Money supply growth in 2001 decelerated to around 11 percent, compared to the growth rate of 74 percent in 2000.

³ World Bank. 2001. *Public Expenditure Review*.

- Both nominal and real interest rates rose during 2001, reflecting the higher fiscal deficit and the tightening of monetary conditions.⁴

An Overview of Macroeconomic Performance over the Last Decade

Growth

For the first time in over two decades, Zambian GDP has shown an upward trend for three consecutive years.⁵ Indeed, Table 1 shows that (with the exception of 1998) a modest level of growth has been registered since 1996 as the effects of liberalization have taken hold. Despite the recent upward trend in GDP growth, GDP growth has not kept pace with population growth. Hence the huge decline in per capita income (more than 50 percent in real terms between 1970 and 2000) and the increasing poverty incidence.⁶ If poverty is to be reduced, the rate of economic growth must exceed the rate of population growth.

During the whole of the 1990s, Zambia recorded, at less than one percent, the lowest average annual growth rate in the whole of the Southern African Development Community (SADC) during a period when sub-Saharan Africa recorded a 2.4 percent growth rate. This has resulted in Zambia's GDP per capita recording the sharpest decline in the region during the 1990s.

Table 1: Zambia - Selected Economic and Demographic Indicators⁷

Indicator	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
GDP growth, real (annual %)	-0.5	0.0	-1.7	6.8	-8.7	-2.5	6.6	3.3	-1.9	2.0	3.5
GDP per capita, (constant 1995 US\$)	477.4	463.0	441.8	458.6	407.2	386.5	401.5	405.6	385.8	371.2	376.4
Current account balance (% of GDP)	-12.0	-15.0	-24.0	-14.0	-12.0	-13.0	-13.0	-11.0	-15.0	-18.0	-17.0
Total debt service (% of exports of goods and services)	15.0	47.0	27.0	31.0	29.0	182.0	20.0	17.0	20.0	46.0	..
Foreign direct investment (%GDP)	6.1	1.0	1.4	1.6	1.7	2.8	3.4	5.3	6.1	5.8	6.9
Gross domestic investment (% of GDP)	17.3	11.0	11.9	15.0	8.2	15.9	12.8	14.6	16.4	17.9	18.3
Gross domestic savings (% of GDP)	16.6	8.4	0.0	9.0	7.4	12.2	5.3	9.4	3.9	-0.9	..
Inflation, consumer prices (annual %)	107.0	93.2	169.0	188.1	53.6	34.2	46.3	24.8	24.0	27.0	26.0

⁴ GRZ. 2002. *Budget Speech*. Ministry of Finance and National Planning. Lusaka, Zambia.

⁵ Recall that the World Bank reports that the Zambian GDP grew by 5.2% in 2001.

⁶ Per capita GDP in 1970 was approximately \$722 (constant 1995 US\$), while Table 1 shows that in 1990 it was \$376 (constant 1995 US\$).

⁷ Annex 3 provides other indicators on Zambia's economic status, including export and import figures and government expenditures.

Overall fiscal deficit, incl. Grants (% of GDP)	-13	-16	-13	-14	-12	-10	-7	-5	-10	-10	..
Formal sector employment	..	..	..	..	..	15.1	12.9	15.2	11.9	10.3	..
Population, total	7.8	8.0	8.3	8.5	8.7	9.0	9.2	9.4	9.7	9.9	10.1
Population growth (annual %)	3.1	3.0	2.9	2.9	2.8	2.7	2.6	2.5	2.3	2.2	2.1

Source: World Bank. 2001. *Public Expenditure Review*.; World Bank. 2002. *World Development Indicators*.; World Bank. Various years. *SIMA and Region Database*.; IMF. Various years. *Government Finance Statistics*.

Long-term economic growth has been stymied by a variety of factors such as copper dependence -- lack of economic diversification -- the secular decline in Zambia's terms of trade, the piecemeal and uneven character of reforms, lack of fiscal discipline, debt overhang, high transaction and transportation costs, and a regulatory environment that acts as a constraint to market forces, *inter alia*. The constraints to and opportunities for economic growth will be treated in Chapter Three.

Inflation

Although inflation over the decade of the 1990s fell by over 75%, it remained at unacceptable levels (see Table 1). The high rate of inflation in Zambia is closely related to the high fiscal deficit. Indeed, directly following the introduction of the cash-based budgeting in January 1993, the inflation rate fell by over 70%. More recently, some encouraging signs emerged in 2001 with the rate of inflation falling below 20 percent.⁸ However, this is still quite high -- especially relative to Zambia's trading partners'.⁹ Such a high level of inflation clearly has a deleterious effect on prospects for economic growth. The World Bank's *Public Expenditure Report* (2001) suggests that a drop in inflation from 30 to 5 percent would likely increase the rate of growth per capita by one percent. The balance of payment pressures on the exchange rate, high growth of the money supply, occasional terms of trade shocks, and rising food prices as a result of the drought are some of the key factors that have contributed to the crippling level of inflation.

Deficit

Zambia's fiscal policies under SAP revolve around fiscal management that aims at balancing the budget by way of gradual reduction and eventual elimination of the large budget deficit, a mission that was accomplished in 1996 and sustained in 1997 and 1998. Yet another fiscal policy measure that has long-term positive effects on the budget deficit is that of retrenchment in the civil service to make it leaner, efficient and productive. In an effort to further promote prudent fiscal management, the government -- as forementioned -- adopted a cash budgeting system in 1993. Under this system, the government is expected not to incur any expenditure that is not covered by existing revenue.

⁸ The reduction in inflation from 30.1 percent in 2000 to 17.5 in 2001 is explained principally by the government's implementation of tight monetary policy and the maintenance of stability in the kwacha exchange rate, accompanied by prudent fiscal management. The higher than expected fiscal deficit did dampen prospects for even further decline in inflation during 2001.

⁹ According to the World Bank (2001), the inflation rate in the sub-Saharan African region between 1990 and 2000 averaged 8.5%.

The 2002 budget address reported that a fiscal deficit of 4.7 percent of GDP was registered in 2001 – which despite the good revenue performance was higher than the targeted deficit of 3.3 percent of GDP. This has generally been the trend. For instance, total government expenditure from January to June 1998 amounted to K474 billion against the target of K452 billion; thus, expenditure exceeded the budget by K22 billion. The non-release of K42 billion pledged by donors to support the PSRP worsened the situation during that period.¹⁰

Debt

Another important consideration in any discussion of Zambia's economic prospects relates to the country's level of external indebtedness. By the mid-1980s, Zambia had become one of the most indebted countries in the world. The stock of Zambia's debt remains enormous with debt service absorbing a significant share of resources meant for critical development programs. A highly indebted country like Zambia has limited access to private international capital markets, hence has difficulties in obtaining credits for investments since its creditworthiness is compromised by its indebtedness. Zambia's external debt stock has progressively been increasing in recent years, rising from US\$6,310.5 million at the end of 2000 to US\$7,270.1 million as of December 2001. The increase in the debt stock over the period is largely attributable to increased borrowing from the multilateral soft window. The significant increase in 2001 over the previous year was principally due to the Paris Club creditors' decision not to grant Zambia the anticipated debt relief amounting to US\$770 million under the Naples and Cologne Terms. The expansion in private sector debt also contributed to the rise in the 2001 external debt stock that increased from US\$473.5 million in 2000 to US\$832.3 in 2001 -- a 75.8 percent increase.¹¹ This was mainly due to increased external borrowing by the new mining companies following the completion of privatization in this sector. Under these conditions, Zambia has been classified as one of the severely indebted low-income countries. Annex 4 provides Zambia's external debt stock over the 1997-2001.

Zambia has been unable to service its debt from its own resources. Consequently, the country's debt is being serviced by cancellation and forgiveness; rescheduling -- Paris Club debt; further borrowings from the soft window -- IMF and the World Bank; and grants -- multilateral and bilateral donors.¹² As of 2001, the World Bank and the IMF combined accounted for 84.5 percent of Zambia's total multilateral debt and 46 percent of the country's total external debt stock.

¹⁰ It is worth noting that despite a government effort to integrate external resources into its budgets, there has not as yet been a serious attempt to align the budget cycle with the timing for external pledges, especially since donors have, on average, been expected, as in the 2002 budget, to meet about 40 percent of government budgeted expenditure. To the extent that such a large percentage from external sources is factored in to the budgets prior to the full knowledge of actual donor response, the government budget is often thrown off balance in the event that donor resources are either insufficient or are disbursed later than expected. The 2002 budget, for instance, was tabled in Parliament in early March while the Consultative Group (CG) meeting with Zambia's major donors was not held until early July.

¹¹ GRZ. 2002. *Economic Report 2001*. Ministry of Finance and National Development. Lusaka, Zambia. (February): p.55.

¹² See Annex 5 for a discussion of the significance of aid to Zambia.

In 1996, the IMF and the World Bank launched the Heavily Indebted Poor Countries (HIPC) Initiative on debt, under which the 41 most indebted poor countries' external debt to multilateral institutions could be given some relief. This has now become another window at which international financial institutions negotiate with Zambia the terms under which its debt service payments are rescheduled. However, despite the relief that Zambia may get under the HIPC Initiative, estimated at about US\$3.5 billion, its debt, even after HIPC has been applied, will still remain very high.

Interest Rates

Price developments in 2001 indicated some instability particularly for interest rates. Government securities' nominal monthly average yield rates assumed an upward movement in 2001 with the 91-day treasury bill portfolio rising from 34 percent in 2000 to 51.5 percent in 2001. Commercial banks' lending, deposit and savings rates also edged upwards, in line with what obtained in government securities. For example, commercial banks' average lending rate increased from 37.4 percent in 2000 to 46.1 percent for 2001. It is noteworthy that the relatively high upward movement in interest rates was principally on account of very high government borrowing from the domestic banking system and the Bank of Zambia's tight monetary policy. The fall in inflation, accompanied by a rise in nominal interest rates did result in a very sharp rise in real interest rates in the country during 2001.

Balance of Payments and Exchange Rates

The deterioration in the balance of payments position has resulted in running down the country's foreign exchange reserves, a development that has had far reaching consequences for the wider economy. Relative stability was registered, though, in the foreign exchange rates during the past year. The average central bank and commercial monthly average exchange rate in 2001 appreciated by 7.3 percent over 2000. The government attributes the relative exchange rate stability to "... the tightening of the monetary policy stance and the introduction of measures in the foreign exchange market, which were aimed at establishing a more transparent and efficient framework for foreign exchange transactions amongst commercial banks and corporate and individual clients."¹³

Nonetheless, the depreciation of the kwacha has continued to adversely affect the productivity of most enterprises, particularly those that are import-intensive.

Investment

Zambia's weak economic performance has been accompanied by a major decline in national savings whose levels of growth have continued to compromise the volume of investment that is so strategic for much sought after sustained capital formation, income generation and employment creation. Table 1 shows that national savings have demonstrated a secular decline over the last decade, from a high of 16.6% in 1990 to -.90 percent in 1999.

¹³ GRZ. 2002. *Economic Report 2001*. Ministry of Finance and National Planning. Lusaka, Zambia: p. 36. The measures included the opening of the Bank of Zambia dealing window to the non-bank sector; the re-introduction of daily auction of foreign exchange by the Bank of Zambia on behalf of major suppliers of foreign exchange, and the tightening of foreign currency exposure limits to commercial banks.

The unstable macroeconomic environment in Zambia has furthermore tended to compromise foreign investor confidence in an economy where the weak local entrepreneurial community is insufficiently equipped to take up the challenge of acquiring the remaining parastatals that are put up for sale. Indeed, foreign direct investment (FDI) averaged a paltry 5 percent of GDP between 1995 and 2000. Prior to the mid-1990s foreign direct investment averaged less than 2.5 percent.¹⁴ The policy environment, which was characterized by frequent policy shifts over the 1983 to 1991 period, has also rendered the politico-economic atmosphere in Zambia unattractive to large-scale foreign investors, a phenomenon that, despite the more consistent policy stance after that has further affected general investor confidence.

Unemployment

The story of Zambia's macroeconomic performance would be incomplete without an examination of the unemployment situation. Since the intensification of the reform program, formal sector employment, particularly in the manufacturing sector, has not been favorable. It declined by 2.1 percent between 1997 and 1998. The majority of the workforce has been pushed into the informal sector for their subsistence. The observed total employment growth rate of 7.8 between 1997 and 1998 is solely attributable to the informal sector, dominated by non-agricultural informal employment growth of 10.8 percent. In the same period, the contribution of agricultural informal employment growth stood at 8.8 percent. Formal sector employment declined from 12 percent to less than 11 percent between 1996 and 1999 (see Table 1). The resultant decline in income levels for an average Zambian has sparked escalating unprecedented poverty levels in a country currently classified as one of the poorest in the world (see the poverty profile below).

In summary, it is important to realize that Zambia's level of growth has been sluggish with severe consequences to economic and social welfare of the country's people. As revealed above, most of the economic parameters point to a depressing state of affairs and it is in this context that the country's opportunities in, for example, agriculture (especially the export of non-traditional high value agricultural products), tourism, and SMME growth ought to be appreciated and facilitated. The next section will highlight the status of these sectors as well as that of the mining and energy sectors.

Sectoral Update

Agriculture

With the secular decline in the performance of the mining sector and the recent crisis, it has become apparent that diversification away from dependence on mining must succeed as a matter of top priority. As indicated in the PRSP, agriculture is currently being perceived by the government as possessing the best potential to be the lead sector towards this objective.¹⁵

¹⁴ World Bank. Various years. *World Development Indicators*. Washington D.C.: World Bank Publications.

¹⁵ See Annex 6 for a brief discussion of the GRZ's planned expenditure in the agricultural sector. Also, Annex 7 considers the GRZ's changing agricultural policy.

The growth of the agricultural sector over the last decade signaled a major change in the sector composition of GDP, with mining assuming a less dominant position (see Table 2). Between 1980 and 2000, the contribution of agriculture to the GDP significantly increased from 15.3 percent to 27.3 percent. It must be noted that while the long-term trajectory in agriculture has been on the increase, the performance of the sector has fluctuated significantly (see Annex 8) as it continues to suffer from factors such as frequent drought; the impact of HIV/AIDS on farmer productivity; the lack of rural finance; weak infrastructure; insufficient investment; high transport costs; the lack of a level regional playing field; and an evident inability of Zambia to take advantage of the sector's comparative advantage.¹⁶

During the same decade, the contribution of industry to GDP decreased by almost 50 percent with Zambia's metal exports declining from about 90 percent of the country's total merchandise export receipts in the early 1990s to 65 percent by 2000.¹⁷ The 1990s also witnessed the share of non-traditional exports; mainly agricultural exports, increasing from 4 to 12 percent of total merchandise export receipts. More specifically, non-traditional, mainly agriculture-based, exports increased from US\$46.5 million in 1995 to US\$133.9 million in 1999, a phenomenon that reveals considerable export potential. The main threat to further progress at this level seems to be attributable to the high prices of production inputs, particularly energy and fertilizer. This state of affairs reveals not only the collapsing importance of the mining sector but, on the positive side, an element of economic diversification, particularly towards higher value export crops.

Table 2: Structure of the Economy and Exports, 1980-2000

	1980	1990	1996	1999	2000
STRUCTURE OF THE ECONOMY					
Agriculture (% of GDP)	15.3	20.6	..	24.1	27.3
Industry (% of GDP)	42.8	51.3	..	25.3	24.1
of which Manufacturing (% of GDP)	18.5	36.1	..	12.2	12.7
Services (% of GDP)	41.9	28.1	..	50.6	48.6
STRUCTURE OF EXPORTS					
Agriculture, value added (% of GDP)	..	..	17.6	24.1	27.3
Industry, value added (% of GDP)	..	..	34.8	25.3	24.1
Services, etc., value added (% of GDP)	..	..	47.7	50.6	48.6

Source: World Bank. (2002). *World Development Indicators*. Washington D.C.: World Bank Publications.

¹⁶ Reduced resource flow to the sector from the government and donor community in recent years is another factor that is used to explain the less than optimal growth rate in the agricultural sector. For example, "whilst the four-year budget for ASIP was US\$350 million, the actual total disbursement over the period was only 53 percent at US \$184 million. Meanwhile, the average Government budgetary allocation to the sector was 4 percent of the total national budget."

¹⁷ World Bank. 2001.

Positive Developments in the Agriculture Sector

While the agriculture sector still faces numerous obstacles (as indicated above) that it must overcome if it is going to reach its potential, there have been some rather positive developments in the sector, for example, in outgrower schemes that provide income-earning opportunities to smallholders in feeding non-traditional export markets; in improved factor productivity due to conservation farming (CF) among small-scale producers; and in diversification into drought-tolerant crops in low rainfall areas.

Outgrower schemes are more prevalent in the Eastern, Central, Lusaka and Southern Provinces but there is a growing interest in introducing them to the Western, Copperbelt and Northern Provinces to take advantage of the agricultural resources in those areas. Initially they were established in the tobacco industry and focused on production of the single cash crop, but they were subsequently expanded into production of a range of crops including groundnut, maize and soybeans under the same scheme. It is now becoming standard practice to support the production of subsistence food crops at the same time as the core cash crop since ignoring the subsistence needs of the growers made them apply cash crop inputs onto the subsistence food crops. Encouraging food crop production at the same time as cash crops under outgrower schemes is increasingly useful as a means of promoting food crops and can have a considerable impact on both *household and national food security*. The support for outgrower schemes under the PRSP has resulted in a GRZ allocation of K15 billion to the sector.

- *High value horticultural crops* including *roses* were boosted by a World Bank loan facility at comparatively low interest rates over the last decade with concentrations around Lusaka for access to airfreight services. The efforts of Agriflora in particular in promoting smallholder production have achieved notable success, and the horticultural export sector under ZEGA is now a significant employer of unskilled labor employing over 15,000 workers compared to 12,000 miners. Outgrowers of *fresh vegetables* in Lusaka Province are reported to be making gross margins of £800 per month on their production and the market demand is increasing enormously as the Zimbabwean production capacity declines.
- *Cotton* is regaining strength with 180,000 smallholder outgrowers under private sector direction (20% of all smallholders) producing cotton worth US\$40 million per annum. However, US subsidies to domestic cotton production make long term prospects for Zambian production weak, despite the influence of AGOA.
- *Paprika* is another useful outgrower cash crop and the high oleoresin content of the Zambian product conveys a comparative advantage. Zimbabwean production has already declined from 12,000 tons per annum to 6,000 while Zambian production has reached only 2,000 tons per annum of a total World production of 100,000 tons. The scope for expansion is therefore wide open.

- *Coffee* is only now beginning to develop as an outgrower enterprise although it has thrived in the commercial sector since 1985. However prospects for a recovery in the world price are not immediately apparent and investment in the sector may perpetuate poverty.¹⁸

Over the last 15 years there has been a tendency for smallholders or emergent farmers to increase their participation in production such that, in a normal rainy season, they now account for more than 60% of the national maize output although their low input methods make them more susceptible to drought than commercial farmers. However, an increasing number of smallholders (now about 60,000) have adopted *CF* methods to varying degrees with spectacular improvements in yields in many cases and great advancements in efficiency as testified by a better factor productivity, including labor.

Opportunities for diminishing exposure to food shortages through *crop diversification* into drought tolerant crops have been taken since the maize monoculture mentality is beginning to breakdown. The drier regions that are better suited to production of millets, sorghum and cassava are beginning to decrease the predominance of drought susceptible maize production that risks total crop failure. Farmers in the wetter regions to the north, which are better suited to finger millet and sweet potato, are reverting to patterns of production that prevailed before the United National Independence Party (UNIP) maize monoculture period of the 1970s and 1980s.

These positive indications, however, must be seen in the light of persistent problems dogging agriculture that need to be addressed. They are as follows:

- *Poor attention to agronomic facts* on the part of some farmers, NGOs, and certain ministry officials helps to perpetuate mining of soil fertility as cropping continues without fertilizer. For example, the belief that leguminous green-manure crops can provide all the fertility needs of grain crops is still promoted by some strategists to the eternal detriment of the soils and the economic well being of the farmers. The poverty spiral that inhibits fertilizer and lime applications adds further to the deterioration of the farmers' resource base. Cultivation methods with disked plows and harrows have also added to the deterioration of soils by the creation of pans that inhibit root growth and necessitate deep and costly ripping to overcome them.
- The cessation of pan-territorial pricing with the liberalization of the economy in the early 1990s implied the need for intensified production of staple food crops near population centers. Emergent farmers had to move to a more intensive land use pattern, which in turn required more sustainable agricultural practices since the scope for shifting cultivation became limited. This adds to the urgency of promoting *CF* methods to address the issues of higher and sustainable yields while labor is diminished due to HIV/AIDS and animal traction due to disease.

¹⁸ In addition, the *tobacco* and *groundnut* industries were virtually destroyed in the first Republic and have regained nothing of their former stature under renewed private sector enterprise despite promising development of tobacco outgrower schemes.

- The relevance of labor saving devices has been made all the greater through the impact of HIV/AIDS since loss of life and health has rendered small-scale farming households short on capacity. It has been found that labor days available to the average household have fallen from 900 to 500 per annum in recent years and that some farms are abandoned for days on end due to health problems.
- The depletion of livestock due to disease arising from mismanagement of dipping facilities and the lack of enforcement of cattle movement restrictions through corruption and incompetence has deprived small-scale arable agriculture of traction power for plowing and transport of inputs and produce as well as a major protein source and capital savings. The process has been accelerated by the demands for slaughter animals in funeral ceremonies, which have increased in frequency due to the onslaught of HIV/AIDS. The impact on smallholder agricultural communities of the double loss of traction power (and manure) and of manpower due to HIV/AIDS and to migration of able bodied family members to towns has left rural communities in a critical state in which they also are obliged to take their chances in towns.
- Further pressures on the efficiency of agricultural production and industry have been imposed by regional trade agreements. Regional markets have aggressively applied non-tariff barriers, but Zambia has taken a friendlier attitude and permitted a free flow of goods into the country. It is not clear that the removal of trade barriers has tilted the playing field fairly in favor of the Zambian economy as a whole. There remains the constant need to conduct research into whether Zambian consumers and producers benefit from individual clauses or even enjoy a net gain.
- Finally, there is persistent confusion in the distribution and pricing of agricultural inputs between the roles of commercial agriculture and welfare. This has tended to cast emergent farmers into the framework of welfare seekers and subsistent farmers into that of commercial growers. It also undermines the viability of agribusiness operators and credit schemes. There is a clear role for welfare services in providing for the needs of the rural poor and for making available to them the opportunity to feed their families through agricultural production. When this role is confused with credit arrangements, which aim to achieve sustainability, failure is the outcome since repayments are not expected from the very poor. This confusion has led to harassment of the poor and a culture of non-repayment by the emergent farmers. The combination has undermined the validity of welfare distribution and the viability of credit funds.

Mining

Currently, there is uncertainty in the economy due to the difficulties being faced by the strategic mining sector. A number of factors influence the performance of the sector, some being outside the country's control. The demand for copper is sensitive to the levels of industrial production in the major industrialized countries and as such prospects in the demand for this mineral depend, to a considerable degree, upon the strength and duration of world economic recovery. In terms of performance, a worsening trend is evident in Zambia's mining sector, particularly at the level of copper production. Copper production had declined from over 400,000 tons from 1990 to below 300,000 tons by 1999. Figure 3 in Annex 9 reveals both the instability and declining copper price on the world market since the peak period of the mid-1970s.

Furthermore, the imminent pullout by one important investor in the mining sector, namely, Anglo American Corporation, further complicates an already uncertain state of affairs. Whatever the final outcome of the mining crisis, it is now clear that diversification from mining must succeed as a matter of top priority. Agriculture is currently perceived by the government as possessing the best potential for the lead sector towards this objective, as previously discussed.

Tourism

The tourism industry is not only an important potential contributor to national income and employment but also an untapped major source of foreign exchange. And yet international tourism expenditure in Zambia was only K136 billion (US\$103 million) in 1997, dominated by the hotels and lodges sector at K76 billion. The international tourism spending in that same year represented only 1.8 percent of the aggregate national income, and its contribution to formal sector employment, at 6,815 jobs, accounted for only 1.4 percent of the total.

Given the realization that Zambia possesses considerable untapped natural resources for tourism and ecotourism development (e.g. abundant wildlife, rich cultural and natural heritage sites, abundant water resources, and political tranquility), it is the government's long-term vision for the tourism sector to ensure that Zambia becomes a major tourist destination of choice, which can contribute to sustainable economic growth and poverty reduction. Constraints to tourism include inadequate infrastructure (mainly road and rail network, airports and airstrips, and telecommunications facilities); lack of affordable financing for long-term development in the sector; low level of skills in the hospitality industry; inadequate tourism product development; lack of institutional incentives, including cumbersome procedures in obtaining licenses; and a disabling land tenure system that tends to obstruct smooth acquisition of land for infrastructure development, thus inhibiting investment in the sector.

The government's tourism policy framework consists of three key elements, namely private sector driven tourism development; promotion of environmentally sustainable growth and the creation of an enabling environment for private sector participation.

Industry and Private Sector

While Zambia's manufacturing sector is relatively developed, its range of sophisticated products is narrow and very few inter-linkages with other productive sectors in the economy are observable. Despite these weaknesses in the manufacturing sector, several positive developments have recently been registered by the private sector: the contribution of the private sector to GDP has been increasing and its overall productivity has improved, albeit sluggishly. By 1998, private sector investment had increased to 10 percent of GDP, compared to only 5.5 percent prior to reforms in 1991. Further, in an effort to increase the level of investment in the economy, the GRZ has expressly invited foreign investors to Zambia. Table 1 shows that while FDI is still very low (averaging just above 6 percent of GDP in the late-1990s), it has been slowly increasing over the last decade.

More private sector-led positive changes have been recorded. The liberalization of the financial sector saw the emergence of over 20 commercial banks, several non-bank financial institutions

such as insurance companies, pension funds, the Lusaka Stock Exchange (LuSE), and the Securities and Exchange Commission (SEC). The liberalization of access to foreign exchange added a further stimulus to private sector entry as well as the significant reduction in non-tariff barriers to trade. Furthermore, the opening up the economy to competition is removing the inefficiencies and distortions associated with the former protectionist economic regime.

Since the policy of liberalization was put into force, the government has recognized that the benefits of market orientation are likely to be fully realized only if private sector enterprises act under the spur of competition so that consumer preferences are reflected in market responses. A well functioning market mechanism is seen as being essential in this respect. An active competition policy is also seen as a key guarantor to economic efficiency. It is in this connection that the government passed the Competition and Fair Trading Act in 1994. The Act enabled the establishment of the Zambia Competition Commission (ZCC) that is empowered to enforce competition rules.

The role of micro-, small- and medium-size enterprises (SMMEs) as potential sources of equitable economic growth and employment generation cannot be overemphasized. If not on agriculture, most poor people in Zambia depend for their incomes on the informal sector - typically micro-, and small-enterprises in services, agro-processing, manufacturing, and trading, in rural and urban areas. Indeed, the SMME sector employs more people than the formal sector as it accounts for more than 700,000 jobs, 47 percent of which go to women (Parker 1996).

Energy

Except for petroleum, Zambia is well endowed with many indigenous energy sources such as woodlands and forests, hydropower, coal and renewable sources. Woodland and forests cover about 66 percent of the total land while the hydropower resource potential is estimated at 6,000 MW (only 1,715.5 MW is currently being exploited). Proven coal reserves are estimated at 30 million tons with several hundred million tons of probable reserves, yet only one million tons per annum is being exploited by one coal mine (Maamba Collieries). Due to production constraints and delayed privatization of the firm, the contribution of coal to total energy consumption in Zambia has declined to barely two percent.

The government maintains that traditional energy sources have lower energy efficiencies and are labor intensive, thus disadvantaging poor households that depend on them. In order therefore to improve the living standards of the poor, as well as provide energy in a sustainable manner for the productive sectors, the government's primary energy goal is to facilitate increased accessibility to modern energy sources and services. In this regard, the government in 1994 formulated a National Energy Policy (NEP) whose main objective is "to promote optimum supply and utilization of energy, especially indigenous forms, to facilitate the socio-economic development of the country and maintenance of a safe and health environment."

Given the fact that less than 20 percent of the population has access to electricity power supply, the government has established the Rural Electrification Program (REP) and a Rural Electrification Fund was created in 1994 through a levy that is imposed on electricity

consumption. REP is perhaps the most strategic policy option for the Zambian government's energy sector.

Social Sectors Update

Education

Under its commitments to the global vision expressed in the UN's Education for All Declaration, Zambia undertook to ensure that the activities for young children, 0-5 years old, would be expanded, with emphasis on community based interventions. Enrolments were to increase from 2 % in 1990 to 25 % in 2000. By 1998, only 8.4% of children going into grade 1 had had access to Early Childhood Care, Education & Development (ECCED). Rural areas had received little attention with only 2.7% of children having access to ECCED experience, compared with 23.6 % in urban areas. At primary school level, notwithstanding the high priority accorded to the Basic Education Sub-Sector Investment Program (BESSIP), the grim truth is that to date this program caters exclusively for Grades 1 to 7. This means that the average Zambian pupil is denied a comprehensive education that can equip him or her with the skills to pursue a firm foundation for the future. To this reality, one should add that access to Information Technology at primary school level is restricted to an elite minority of children who come from well-to-do urban homes, while the majority of children in under-resourced and under-equipped schools particularly those located in rural Zambia have no hope of ever accessing the computer and the wonders of the Internet. In Zambia as elsewhere in central and southern Africa the explosion of HIV/AIDS has made such ills ever more acute and in some instances added substantially to the previous burden (e. g., teachers dying faster than new ones are trained; pupils, especially girls, dropping out to care for sick family members or because they themselves are ill).

An inadequate number of teachers has exacerbated the gravity of the crisis in the education sector. Statistical evidence supplied by the Ministry of Education shows that the number of teachers has been progressively declining. This has been mainly due to a decision by the Ministry to stop recruiting untrained teachers. More ominously, there is a high attrition rate of teachers due to HIV/AIDS, poor conditions of service, lack of housing, particularly in rural areas, and for single female teachers. The acute shortage of teachers manifests itself in a progressive worsening of pupil teacher ratios, which has led to major and persistent classroom overcrowding, particularly in urban schools. In rural areas, teachers have to shoulder the additional burden of teaching all subjects as a direct consequence of the deepening scarcity of teachers. In regard to gender, the education system is characterized by disparities between men and women at all levels with respect to enrollment figures, progression rates, ratios among teachers /lecturers, and learning achievement.

The crisis in the education sector constitutes a major constraint to the promotion of sustainable human development in Zambia. The crisis manifests itself in several ways, including the following: low enrolments, low progression, high school dropout rates; poor attendance because children are engaged in income – generating activities to supplement family incomes, tending

sick family members, and long distances to school; poor learning environments and lack of opportunities for appropriate skills training; malnourished learners who are unable to achieve their full learning potential; de-motivated and ill-qualified teachers, especially in the rural areas, high illiteracy levels; ill health among teachers, pupils, and others in the education system; lack of motivation for parents to send their children to school; and wide gender disparities because of choices parents have to make on who goes to school. Zambia's PRSP notes that the education system is characterized by inadequate places at all levels due to a wide range of factors such as cost and insufficient numbers of teachers and tuition materials, particularly in rural areas. In addition, there is inadequate provision of appropriate educational opportunities for the differently endowed. Low levels of retention compound this, with children beginning to drop out of school as early as Grade 2 due mostly to the high cost of education. Other reasons for dropping out are long distances to school, opportunity labor costs, early marriages, and pregnancies.

Lastly, it cannot be over-emphasized that the HIV/AIDS pandemic in Zambia threatens to wipe out all the gains Zambia has registered in the realm of human development over the preceding four decades. The PRSP notes that education is severely hit by the pandemic because teachers are said to be among the four most infected groups in Zambia. Teachers dying from the pandemic each year are estimated at about one thousand. A tragic consequence of this situation expresses itself in the 600,000 or more children who have been orphaned by the pandemic, many of whom have dropped out of school on account of lacking the means to sustain themselves.

HIV/AIDS AND HEALTH

Zambia's deepening health crisis is undermining its development goals. Already facing one of the worst HIV/AIDS epidemics in the world, Zambians' health is further undermined by the impact of poverty, drought, and food insecurity. Ambitious health reform practices, extensive capacity building, and a comprehensive HIV/AIDS program have achieved some success in responding to the health needs of the population. Nevertheless, shortages of human resources, drugs, equipment, and other commodities, and a poorly functioning management information and drug supply system severely limit the public sector health care sector's ability to meet the growing needs of the population. Three crisis areas are HIV/AIDS, increasing food insecurity, and malnutrition, and loss of key personnel.

According to the latest estimates available about 19.7% of the reproductive age population (ages 15 to 49) is infected with HIV. An estimated 923,000 Zambian adults carry the virus along with nearly 90,000 children. According to a recent Central Board of Health report more than 600,000 Zambians had developed AIDS by the end of 1998.¹⁹ An additional 90,000 to 100,000 people develop AIDS every year. An estimated 1.26 million Zambians will be infected with HIV by

¹⁹ These data are derived from sentinel surveillance, population-based surveys, and projections. Zambia has been collecting blood samples from pregnant women since the early 1990s. In 1994 and 1998 at least two sites from each province reported results for urban and rural pregnant women. Population-based sero-surveys in Lusaka and Ndola match the results of the sentinel surveillance reports. Unfortunately, results from the 2000 sentinel collection have not yet been reported.

2014, accounting for dramatic increases in mortality and decreases in average life expectancy from 52 in 1980 to well under 40 at present.

Patterns of infection in Zambia resemble those in other African countries. Rates of infection are highest in congested urban areas, with an average urban rate of 29%, and a rural prevalence rate of 14%. Significantly, more than 10% of the adult population is infected in each of the nine provinces, reflecting a truly national epidemic. Young women are infected earlier, on average, than young men, and this pattern continues until ages 30 to 39, when more men are infected than women. Prevalence peaks in the 20s and 30s and then declines, although more than one in five 40 to 49 year olds in Ndola and more than one in ten in Kapiri Mposhi are HIV positive. Sex difference in prevalence is not as pronounced in rural Kapiri Mposhi as in Ndola.

HIV/AIDS has dramatically reduced child survival in Zambia. Under-five mortality rates have reached high levels in the last decade either because children are born with HIV infection or because their parents have died prematurely. Mother-to-child transmission of HIV is particularly high with approximately a 39-40% infection rate among children born to HIV positive mothers.

Despite these grim statistics there is reason for optimism regarding the future. Prevalence rates appear to have stabilized in the 1990s, and there are compelling data suggesting declines in infection among young women. Reports from Lusaka and Ndola show a 30 to 50% decline in new infections in 15 to 19 year old women. Until the 2000 sentinel collection results are available, it is still not possible to determine whether this trend will continue or be repeated elsewhere in the country. However, data from other sources indicate that behavior change is occurring in Zambia. For example, condom sales through the national condom social marketing project have increased steadily since 1998 to over 10 million pieces sold in 2001. Preliminary results from the latest national Sexual Behavior survey show increases in condom use among young men, age 16-24, in the last sex act with a non regular partner from 33% in 1998 to 40% in 2000 and among young women from 24% to 34%.

Other results from ongoing USAID-funded projects also indicate some behavior change. For example, in the Linkages Projects sites in Ndola, more pregnant women are choosing to undergo voluntary counseling and testing (VCT) and to consider changing breast-feeding patterns to reduce vertical transmission. Exposure to the ZIHP COMM HEART Campaign is correlated with increased condom use, increased intention to abstain, perceived efficacy of condoms in preventing HIV transmission, and increased discussion on abstinence and safer sex with peers. The PSI New Start VCT clinic on Cairo Road, a reassuringly anonymous site, is seeing more than 1,000 clients per month. Taken together, these encouraging results suggest that more Zambians are accepting the reality of the epidemic and choosing to reduce their risk of infection. Results from yet-to-be-released 2000 Demographic and Health Survey. will shed much light on attitude and behavior change nationwide.

Sexually Transmitted Infections (STI), a major risk factor for HIV infection, are widespread throughout Zambia. According to the Zambia Health Facility Survey in 2000, the national incidence rate among people attending health centers is 101 cases per 10,000 population. The

most common infections are gonorrhea, syphilis, chancroid, and herpes. Alarming, more than 50% of the gonococcal infections are resistant to penicillin. A recent population-based survey in Ndola found that about 11% of men and 14% of women were infected with syphilis. Among commercial sex workers in Ndola, more than two-thirds had one or more STIs. Poor clinical management of STIs, multiple partners, and low levels of circumcision are among the major causes of these high infection rates.

HIV infection has contributed to the alarming increase in tuberculosis (TB) rates and mortality in Zambia. TB is the most common opportunistic infection in Zambia, as elsewhere, and the major cause of death among people infected with HIV. According to the Central Board of Health the number of TB cases increased from 7,000 in 1984 to over 40,000 in 1996. Of great concern is drug resistance. Preliminary results of the first national drug resistance study found that 11% of new cases were resistant to at least one drug, and 2.5% were resistant to at least two drugs. Efforts are now underway to reinstate the nation DOTS system for treating TB and reducing the incidence of drug-resistant cases. TB poses a particular threat to caregivers at home and in hospital since people with untreated TB infect on average 20 other people, according to one estimate.

Malaria continues to be a major cause of death and pregnancy wastage in Zambia. According to the National Malaria Situation Analysis in 2000, the incidence has tripled in the last two decades from 121.5 cases per 1,000 people in 1976 to 308.4 cases per 1,000 in 1999. Admissions to health centers and hospitals for malaria have jumped. Overall, the case fatality rate has increased as well from one percent in 1976 to 5% in 1994. Malaria contributes to an estimated 20% of the pregnancy-related deaths in Zambia. The rise of chloroquine-resistant strains complicates prevention and management of the infection. In addition, less than 6% of families use treated bednets (ITNs), and very few of current users actually retreat the nets according to instructions. Sales data indicate, however, that more families are buying ITNs. PSI's sales have risen from 2,238 in 1998 to over 82,000 in 2001. Use of ITNs is significantly higher in districts covered through USAID's ZIHP project than in control districts.

Maternal and child health in Zambia has deteriorated with the increase in infectious disease and the limited access to quality health service delivery. Maternal mortality is reported to be over 800 deaths per 100,000 live births in Western province, according to the 1996 DHS report and almost 650 per 100,000 nationwide. Some 50% of women give birth at home, leading to delays in getting trained care in emergency situations. A recent Family Care International/UNICEF study suggests that the introduction of user fees at health centers may further increase the percentage of women giving birth outside the formal health care system and subsequent mortality. Decreasing fertility and increasing family planning may help reduce maternal mortality. The total fertility rate has declined in the 1990s to an estimated 6.1 in 1996 and is expected to reach 4.0 in the next two decades. Nationwide, more than one married woman in four is using family planning; sales of commercially marketed oral contraceptives are increasing steadily; and new family planning acceptors rose by more than one-third from 1997 to 1998. Continuing success in family planning, however, depends heavily on sustained funding and access to contraceptive commodities.

Close to 20% of Zambian children die before reaching age five. Increases in malaria and less than complete coverage of basic immunization are major preventable causes of death. Immunization coverage actually decreased in the 1990s although it rebounded in 2001. HIV/AIDS, malaria, and malnutrition are the major causes of mortality. Among children under five, malnutrition and stunting are alarmingly high. The 1998 National Living Conditions Survey found, for example, that 53% of children under five are stunted and almost 25% are underweight. Close to two-thirds of Zambian children are deficient in vitamin A and also are anemic. The nutrition situation in Zambia will continue to decline with the poor economy and rising food insecurity because of drought and the impact of HIV/AIDS.

Orphans

HIV/AIDS is exacerbating this already enormous problem. As of 1998, approximately 950,000 children had lost one or both parents to HIV/AIDS. More than one in four children aged 15 to 18 are orphans. It is not clear how children and their adoptive families are coping with the health, economic, and psychosocial consequences of this unprecedented family situation although current analyses suggest that at least in terms of education, orphans are not disadvantaged compared to other children. Studies from Uganda and Tanzania, however, suggest that orphans have less access to health care and higher mortality rates, apart from HIV-related infections, than parented children. Families who take in orphans are also less likely to save and invest than families who have not. Studies of this sort are urgently needed in Zambia to help formulate more effective responses to the needs of orphans and vulnerable children.

Public Health Response

This disease burden is occurring in the context of a fragile public health system ill equipped to meet the increasing needs. Health expenditures, approximately 14% of the national budget, have remained fairly stable in the last decade but have failed to keep pace with increasing health needs caused by HIV/AIDS and malnutrition. For example, health care costs have increased with overall expenditures rising from \$3.4 million (US) in 1989 to \$18.3 million (US) in the late 1990s. The estimated cost of a basic health package alone is almost 10% higher than the actual per capita allocations for the entire health care system, making effective service delivery unaffordable for most of the population.

The GRZ has made a strong commitment to improving public health. In the last decade there has been a significant change in the allocation of funds from the central to the district and community levels so that more than 50% of funds are now expended outside the capital. Zambia began an ambitious restructuring of its health care system in the early 1990s with funding and guidance from the World Bank. The plan has decentralized budgeting, financial management, and decision-making to district level Health and Hospital Management Boards with the primary goal of making the basic health care package more accessible to the population. These boards are responsible for annual planning and monitoring of health functions. Cost-sharing plans were introduced with provisions for subsidized care for specific age groups and priority health services including infectious disease control, safe motherhood, and family planning. In addition, a Public Welfare Assistance Scheme was introduced in 1995 to increase coverage for specific needy populations through the District Social Welfare Office and the District Health Management board.

Along with clinic-based care, the plan called for establishing structures for community participation in decision-making in the neighborhood, health center, and district levels. These Neighborhood Health Committees (NHCs) and Health Center Committees (HCC) are charged with building links between the community and the health facilities, collecting and maintaining data on community-based health management, and serving as the voice of the community in selecting community health workers and contributing to strategic district planning. Further involvement of the community includes a Central Community Health Innovation Fund, designed to encourage local projects and activities apart from the health centers and health care workers.

In addition, the government has moved forward to develop national plans and policies through collaboration with donors and the participation of other stakeholders.

The National Health Strategic Plan (2001-2005) is an ambitious mandate to improve access to cost-effective quality care, emphasizing implementation of the basic health care package.

Priority is given to maternal and child health interventions, integrated reproductive health and control of infectious diseases, specifically HIV/AIDS/TB, STIs, and malaria plus epidemic surveillance and control. The government plan also calls for development of comprehensive national policies including child health and malaria control.

The GRZ also actively supports efforts to control HIV/AIDS. It developed an HIV/AIDS Strategic Framework and has adopted both health sector and multi-sector responses to the epidemic. Foremost among the government structures are a Committee of Ministers for HIV/AIDS/STD and TB, the National HIV/AIDS/STD/TB Council and Secretariat, and HIV/AIDS working groups. A national HIV/AIDS Policy has been developed and analyses have been undertaken to assess costs of HIV/AIDS programs.

In Zambia, meeting the health needs of the poor is central to arresting increases in poverty. However, the lost income as a result of seeking care or caring for the sick can amount to as much as 70 percent of household expenses, therefore utilization rates for the poor are lower because of the opportunity cost of time spent on seeking care. When services have progressively declined and incomes are low, taking time off on medical grounds is seen to jeopardize their economic situation. It should therefore not be a matter of great surprise that most general health indicators suggest that access to acceptable health care in Zambia over the last ten years has eroded.

Access to basic health services shows a wide spatial variation. Provinces along the line of rail have close access to services. In urban areas, 99 % of households are within five km of a health facility while this is only 50 % in rural areas. In Zambia, household expenditures on health vary according to location, though most poor households spend the highest proportion of their income on health -- up to 10% of total expenditure when in kind costs are included, according to some estimates.

All in all, the Zambian Health sector is facing numerous and formidable problems largely brought about by the double burden of declining resources in real terms in the face of an escalating disease burden. Management of both human and physical resources is also an ongoing problematic which requires sustained action. The picture is not entirely gloomy. The

sector has some strengths and in-built opportunities, which could be utilized to make it more efficient and equitable. Zambia is in the midst of implementing a comprehensive overhaul of its health sector. Following the decentralization of planning and budgeting in the public health sector, objective and transparent resource allocation criteria have been developed for allocating funds to districts and hospitals and further improvements to the criteria are underway. Another interesting innovation is a mechanism for pooling financial resources at district level (district basket), which will be extended to the wider sector after certain important lessons have been learned.

Poverty: Summary Profile and Causes

The analysis of Zambia's economic status presented earlier clearly showed that despite some recent positive trends in the area of stabilization, Zambia's economic decline is among the worst in sub-Saharan Africa. The demonstrated decline in per capita GDP in Zambia (see Table 1) has been accompanied by a real wages decline in the formal sector between 1997 and 2000 of more than 16 percent;²⁰ rising unemployment; and a noticeable reduction in transfers from the state to the average household. The upshot is that the incidence of poverty in Zambia has increased over the last decade by almost 5 percent to 73 percent in 2000 (see Table 6 in Annex 13). While overall poverty depth and severity have decreased during the same period, they are still high relative to many other developing countries. Statistics show significant geographical variation with rural areas exhibiting worse conditions (this is especially true in the remote districts of remote provinces) than in the urban centers. Poverty, which afflicts the overwhelming majority of Zambians, manifests itself in various ways: weak purchasing power, homelessness, participation in high-risk sexual behaviors, chronic malnutrition, and insufficient access to basic social services and necessities such as education, health and clean water, inter alia.

The most recent statistics on poverty in Zambia were released by the Central Statistical Office (CSO) in December 1999, entitled *Living Conditions in Zambia, 1998*. Principally, the document reveals the major changes in the incidence of poverty over the 1996 and 1998 period. The following image of poverty in the country is unfolding:

- The percentage of poor persons increased by more than 3 percentage points from about 69 percent in 1996 to almost 73 percent in 1998. This overall change is attributable to the 10 percent rise in urban poverty during the three-year period from 46 percent in 1996 to 56 percent in 1998 while that in rural areas remained about the same. This picture shows that the urban areas are fast catching up with rural areas.
- Poverty levels in rural areas are higher than in urban areas. Western province has the highest incidence of poverty followed by Northern and Eastern Provinces.
- Lusaka province has the lowest incidence of poverty followed by Copperbelt in both years. However, Lusaka Province had the highest increase in poverty over the 1996 to

²⁰ Prior to fully-fledged SAP over the 1983 to 1991 period, workers' real national weighted average annual basic pay (at 1983 constant prices) fell by 58.3 percent. CSO and Ministry of Finance and Economic Development.

1998 period (by 14 percent). This means that Lusaka is quickly catching up with the rest of the country.

- There was a significant increase in the extremely poor persons in urban areas, from about 27 percent in 1996 to 36 percent in 1998. On the other hand, extreme poverty in rural areas only increased by about 3 percentage points from about 68 percent in 1996 to approximately 71 percent in 1998.
- The incidence of poverty remained about the same for small-scale farmers between 1996 and 1998. On the other hand, the incidence of poverty increased for the medium-scale farmers, rural non-agricultural households, urban low cost areas, urban medium cost areas, and urban high cost areas. One implication is that the medium-scale farmers are fast graduating into deeper poverty and might soon become poor small-scale farmers.
- Poverty increased in Central, Copperbelt, Luapula, Lusaka, and Western Provinces but reduced in Eastern, Northern, North-Western, and Southern Provinces.
- North-Western Province had the highest reduction in poverty of 4.5 percent.
- There has been a decrease in life expectancy from 49.1 years in 1990 to 38.5 years in 1999. The decade of the 1990s also witnessed an increase in infant and child mortality in Zambia. Finally, the percentage of children (aged 3 to 39 months) that are stunted (and thus suffering from chronic malnutrition) increased from 46% to 53% between 1996 and 2000.²¹

Table 6 in Annex 13 gives a summary of the changing face of poverty in Zambia over the 1996 to 1998 period. Annex 13 analyzes Zambia's poverty profile in detail and further reveals the gravity of the situation.

Causes of Poverty

It is no easy task to try to identify the causes of poverty in a country such as Zambia. This is because of the complexity of the phenomenon itself in the sense that the manifestations of poverty are, in themselves, often its cause. For example, a poor person is generally unable to access basic education and health services. This lack of access to these very basic human necessities perpetuates that person's poverty condition since it prevents him or her from applying the benefits of knowledge (acquired through education) and good health (from health facilities) to get out of poverty, for illiteracy and poor health do set limits to one's capacities and opportunities.

Against the above Zambian realities, what are in fact the primary causes of poverty in Zambia? Rural poverty is largely due to low agricultural productivity arising from labor constraints and lack of agricultural inputs. Poor transport infrastructure and lack of adequate storage facilities generally cause poverty since they limit access of the rural small-scale farmers to agricultural inputs and commodity markets. At another level, lack of access to wage employment is also one of the principal causes of poverty, particularly in urban areas. Lack of access to clean water and safe sanitation facilities as well as lack of personal security worsen urban poverty. Inadequate access to clean water and safe sanitation facilities makes the urban poor vulnerable to water and airborne diseases, which in turn undermine their productivity and plunge them deeper into

²¹ The 2000 figure for stunting is preliminary.

poverty. Participatory poverty assessments have revealed that the poor in Zambia are characterized by lack of food, money and assets, as well as influence or “voice.” The majority of the rural and urban poor also earn livelihoods from small-scale agriculture and a variety of informal income generating activities that tend to be short-term, seasonal and poorly rewarding. This state of affairs has generally resulted in severe food insecurity and the attendant high prevalence levels of malnutrition among children and, increasingly, adults.

While all the above factors do explain the worsening poverty condition in Zambia, a number of underlying factors need to be recognized. *First and foremost*, the absence of sustained *levels of positive economic growth* is a major cause of poverty in Zambia. As the PRSP acknowledges, poverty reduction requires significant injection of resources into poverty reduction activities, but this cannot be done in a sustainable manner without positive growth. In the absence of growth, there can be little increase in domestic resources either through savings or tax revenues. Savings declined from 17 percent of GDP in 1990 to 6 percent of GDP in 1999. Tax revenues too have remained static around 17 percent of GDP over the past decade, a situation that cannot meaningfully sustain pro-poor interventions in Zambia.

Second, government policy matters. An important first step is to make poverty reduction a priority objective of national development policy and strategy. Consumption-based approaches, for example, are important in that they allow for improvements in access to such necessities as basic health, education and welfare. This has been the main rationale for directing more resources towards the social sectors such as education, health, water, and sanitation as well as towards state-funded safety nets and related subsidies. But to meaningfully target poverty, livelihood-based approaches should also be promoted. Livelihood-based approaches focus less on consumption per se and more on interventions that strive to increase the poor people’s income and assets. Livelihood systems, thus, entail a combination of activities that households undertake to earn a decent living and to ensure the availability of their basic needs and requirements. In this regard, livelihood systems encompass productive activity that members of the household undertake to sustain themselves. They include household asset accumulation, income security and food security, all areas in which USAID has shown significant interest through its current activities in Zambia. In order to break the vicious cycle of poverty and achieve sustainable poverty reduction, both consumption-based approaches that focus on health and education and livelihood systems should be promoted.

Third, diminishing employment opportunities in the country are a major source of household level poverty. Overall, formal employment as a percentage of the total labor force in Zambia has continued to decline over the years. Since 1970, less than 50,000 formal sector jobs have been created in a country where, for the most part, the annual population growth of 3.2 percent was registered. Overall, formal employment as a percentage of the total labor force in Zambia has declined over the years. A significant drop in employment (of 47,900) was registered between 1992 and 1994. Indeed, the formal sector now employs less than 13 percent of the four million-strong labor force. The decline in formal employment opportunities at the time when the labor force is on the increase has important implications for any serious initiatives that address poverty reduction. Clearly, the issue of employment generation deserves some serious attention by government and donors.

Development strategies under the Second Republic did not create the needed employment opportunities for the ever-expanding urban labor force. Consequently, unemployment and underemployment increased in the urban centers and rural terms of trade worsened as the government tried to insulate urban consumers from external shocks through unsustainable subsidies that were financed from external borrowing. Perhaps worst of all, as Zambia's policy was biased against agriculture and rural development it failed to generate sufficient employment and income growth within the very sector on which the majority of the people depend for their livelihood.

Fourth, the heavy debt burden has reduced resources for poverty reduction to the extent that it exerts a significant crowding-out effect on social expenditures. Over the years, debt service has, on average, accounted for 10 percent of GDP while all the social sectors together have accounted for only 5 percent. The debt overhang has also checked the entry of foreign direct investment into the country's productive sector which, in turn, has resulted in the slow economic diversification record of the country.

Fifth, the low levels of human capital are contributing to the worsening of poverty. Indeed, the requisite human resource needed for sustained economic growth and poverty reduction is currently being impeded by the high incidence of HIV/AIDS, which targets the key productive age group. It is thus difficult to see much positive progress on the poverty reduction front without understanding and responding to the corrosive effects of HIV/AIDS on human capital.

Lastly, the high level of inequality is a major explanatory factor behind worsening poverty levels in Zambia. There is emerging evidence that confirms that poverty is reduced faster where equality is greater. For a highly poverty stricken Zambia, the most important lesson here regards the role of policy and economic structure. Economic structure (particularly the initial level of inequality) does affect the patterns of future growth but perhaps more importantly, the sector composition of growth does possess major implications for poverty reduction and alleviation. Thus, in Zambia with highly uneven income and asset distribution, the poor are significantly disadvantaged in the growth process. Similarly, in Zambia where the poor are predominantly in the agricultural sector, national growth that excludes this sector would not improve the welfare of the disadvantaged population that depends on it. This suggests that in Zambia where the majority of the poor depend on agriculture for their survival, the recorded poor growth of this sector remains as one of the major factors that explain the worsening poverty conditions. The high premium that the PRSP has placed on agricultural development as an engine of poverty reduction in the country should, thus, be seen in this light.

Key Development Challenges

What, then, are the key development challenges for Zambia that grow out of the analysis and discussion above?

Three significant broad categories emerge, linked to the great themes of **HIV/AIDS**, **governance**, and poor **food security** expressed at the outset.

Zambia is massively challenged to meet the *basic health and education needs of its people*.

HIV/AIDS serves as the most dramatic symbol of this challenge, which could be stated as the provision of those basic social services that are indispensable to lifting the ordinary family from a condition of sheer survival to a state of being able to improve their own life. Some principal features of this people challenge in health are the information and services that help people avoid deadly diseases such as HIV/AIDS and malaria, and access to clean drinking water. In education they are universal access to basic schooling, improved access to skills training and wide access to adult education. These are prerequisites to poverty alleviation.

Within **governance** are grouped the *fundamental standards of public life*, notably accountability and financial probity in public office and a civil service reform that builds capacity while increasing efficiency and reducing costs, leading to a sharp decrease in corruption across the board. Establishment and vigilant enforcement of these standards must be accompanied by *effective delivery of public services*, certainly those enumerated above under health and education but also ones of economic importance such as providing or facilitating access to fuel, power, raw materials, and communications at reasonable cost, a greater outreach and efficiency of communication services including transport, and the creation and maintenance of good access to and a level playing field for domestic, regional and international markets. Meeting the governance challenge in this manner will encourage the private sector to flourish, create jobs, and raise incomes to help alleviate poverty.

Meeting the challenge associated with a lack of **food security** notably means *reviving the economy, and that particularly means reviving agriculture (and related value-added industry)*: agriculture so that people have enough to eat to stave off hunger, and agriculture so that people can earn enough cash income to raise their standard of living. This is how poverty can be alleviated. Such a complex matter in its broad context will be treated here by suggesting some important examples of change that must occur. It is essential to do the following:

- Raise awareness that responding to market demand rather than production preferences is of paramount importance
- Increase the number of market places and amount of market activity in rural and peri-urban areas
- Improve knowledge of regional and international market demand and prices.
- Link up agribusinesses with the small-scale farming community.
- Encourage increased participation in the sector by well informed and capable Zambians
- Plan to mitigate the multi-faceted impacts of HIV/AIDS on producers and sectors
- Take advantage of export opportunities including entry into the European organic market and the U. S. market through AGOA
- Improve access to investment finance
- Improve animal health
- Improve agricultural practices and higher yields in the smallholder sector.

- Extend basic skills in crop husbandry and expand use of appropriate technology 4in tillage and irrigation, including conservation farming. Increase access to appropriate technology equipment (especially hand and draft animal tools) for labor saving and added value
- Encourage expanded production of drought tolerant crops in the Southern and Western Provinces and establishes a food reserve under competent and well funded management
- Facilitate access to land with services for smallholders and for resettlement of urbanized farmers with potential to produce
- Increase access to seasonal credit and medium and long- term loans at interest rates that leave scope for viability

As a corollary, joining tourism promotion to the preservation, regeneration and enrichment of the natural resource base can contribute to rebuilding the economy. This will add jobs and raise income while stimulating positive participation and reward sharing by local people through community-based natural resources management (CBNRM).

A Zambia that succeeds at meeting these key development challenges will be a Zambia well on its way to placing the country and its people on a sustainable path to a better life for all.

CHAPTER 2 - The Multi-Sector Approach and HIV/AIDS

Introduction

A multi-sector approach (MSA) towards the tackling of the HIV/AIDS problem in Zambia, out of necessity, should assume center stage in USAID/Zambia's future activities. Three broad implications arise from this recommendation. First, there should be an understanding of what a multi-sector approach is—and is not. Second, an MSA has important implications for the organizational structure of USAID activities in Zambia. Third, how does a multi-sector approach fit with the dynamics of HIV/AIDS pandemic and the existing responses? These points are analyzed below.

What is a Multi-Sector Approach to HIV/AIDS?

A multi-sector approach to HIV/AIDS is a way to move the USAID/Zambia program closer to the daily realities of people living with and affected by HIV/AIDS. The pandemic affects and reflects a person's and a family's economic well-being, social status, access to basic social services, and ability to contribute to local and national development. The multiple dimensions of HIV/AIDS also require a multi-dimensional response. Operational structures and processes will have to be stretched in new ways and not without some internal struggles and disagreements. However, with opportunities to learn new ways of functioning and to demonstrate new achievements, the effort will be worth it.

A multi-sector approach to HIV/AIDS operates primarily at analytical and program levels. In terms of analysis, it helps planners to view proposals and options broadly and ask of each such questions as: Does it increase potential vulnerability to HIV? Does it lower risk to HIV? Does it promote a synergy that will enhance overall results? For example, a proposal to build rural markets seems to offer a viable option to increase agricultural productivity and incomes for small-scale farmers. A market center can be a site for farmers to sell products which will enhance their income security and stimulate further agriculture production. Factors that might, from a multi-sector HIV/AIDS perspective, be incorporated into such marketing centers include:

- 1) Promotion of an active behavior change climate within the market area to reduce the risk of sexual harassment or exploitation by men who control or attend the market
- 2) Stimulating the functioning of women's support groups (or market coops) within the market to reduce female vulnerability to sexual harassment and exploitation
- 3) Setting minimum sales prices for commodities to contribute to a minimum living standard
- 4) Operating a basic health clinic (with STI and VCT services) near the market

5) Linking older orphans and youth to production and marketing skills as well as HIV prevention education

A multi-sector approach seeks to stimulate synergy among activities, so that where they overlap or merge they create more value added than do the individual initiatives on their own. An example would be the synergy created between an initiative to provide home-based care and another focusing on community mobilization to generate resources for education grants for orphaned children. Through facilitation or informal contacts and discussion, participants in each (and some participants may be in both) come to realize that their opinions are sought and respected, that they can identify and begin to solve problems, and can promote changes that meet their needs and interests. The synergy is evident in the strengthening of community groups to participate more fully as actors in the decision-making (governance) process.

A multi-sector approach does not exclude or forego specific program activities. Rather, it asks planners and program implementers to look for and consider points of overlap and seek to enhance or facilitate them. Such projects will take time to cultivate and may move in directions not originally foreseen by planners. More likely to emerge will be a set of locally appropriate and sequential interventions intended to rehabilitate livelihoods and enhance food security.

Also, a multi-sector approach does not seek to re-train staff from one specialized sector—for example, agriculture—to assume some level of expertise on HIV/AIDS. Some projects have tried to adopt this approach and have failed. Adding to the existing workload of staff is often resisted, no matter how attractive the rationale may appear to planners. A more realistic approach is to encourage staff to do what they have been hired to do. Again, in the field of agriculture, staff are expected to understand cropping patterns, production methods, marketing or other aspects of the sector. Each of these topics can be shaped, with a little additional training, to include a HIV/AIDS perspective in data generation, analysis and planning.

The reasons for adopting and implementing a multi-sector approach to HIV/AIDS include:

- 1) The approach fits more closely with the realities of the pandemic and its impacts on people's lives than a single sector response.
- 2) The approach provides opportunities to strengthen other SOs, such as those involving business or economic development, poverty alleviation and governance.
- 3) Providing program planners and implementers flexibility to stimulate and respond to multi-dimensional synergies.

At a more practical level, a multi-sector approach to HIV/AIDS will:

- 1) provide a means to move existing programs (like ZIHP and SCOPE) in directions they have seen from experience are important and viable
- 2) provide lessons for guidance to government and other donor agencies and other missions
- 3) stimulate new ideas and directions in programming
- 4) allow more rapid response to the changing dynamic of the pandemic
- 5) allow activities to be shaped to show qualitative and multiple results
- 6) encompass analytical and program activities

What are the Organizational and Structural Issues for USAID?

Presently, USAID/Zambia is organized around Strategic Objectives (SOs) that form the basis of specific interventions. In principle, this is a fairly good and appropriate way of addressing the specific mission of USAID in the country. The structure improves the targeting of specific groups and the efficient use of available resources. Resources are also applied in a structured manner, based on a hierarchy of achievable and measurable results. However, without carefully conceived harmonization of effort by the various SOs, the danger exists of each SO forming a separate enclave without clear or ready reference to others. Major issues, such as HIV/AIDS or governance in its larger senses, can become subsumed and ignored. While there is no strong evidence to suggest that this is happening under the current structure, the current links between anti-HIV/AIDS work and the other SOs within the USAID/Zambia portfolio are neither particularly strong nor sustainable. The lack of an effective synergy among the SOs around HIV/AIDS issues is evident.

A multi-sector approach to HIV/AIDS can strengthen analytical and program responses. The work of USAID/Zambia's existing multi-sector team shows a good beginning, including some initial thinking on structural and M&E issues. For the team, and the whole process, to have greater influence, some additional training is needed to clarify the meaning and context of a multi-sector response to HIV/AIDS for team members and other USAID and IA staff. Even after training is completed, working through any internal organizational misunderstandings will inevitably be required to give credibility and legitimacy to the multi-sector response. A staff member with sufficient authority to promote both the approach and the team's work will be needed. This may be the Mission Director or senior program officer, authorized by the Director.

As will be recommended in more detail (see Chapter 5), the creation by USAID/Zambia of a special objective (SpO) on HIV/AIDS offers the best way to expand the response to the pandemic. Within that context, a multi-sector approach to HIV/AIDS will have staffing and organizational implications. A definite option in terms of staffing is to create a multi-discipline group of staff members and not simply shift staff from the existing SO3 to the new special objective. At the same time, the links to the health sector need to be maintained.

In addition to the SpO, USAID/Zambia may wish to examine enlarging the HIV/AIDS response by working through existing Sector-Wide Approaches (SWAs) to external assistance. The GRZ and many donors subscribe to SWAs in an attempt to improve aid management effectiveness and efficiency. It is felt that the impact of external assistance can be enhanced if all

cooperating partners that operate in a given sector work jointly towards the development and improvement of local implementation institutions.

The degree of USAID/Zambia's involvement in the SWAp varies by sector. SWAp experience in Zambia is rather mixed, ranging from a very disappointing record of ASIP in the agricultural sector to the more promising health sector experience and the encouraging signs of BESSIP. Some possible suggestions for introducing a multi-sector response to HIV/AIDS into the SWAp structures include:

- 1) Bringing the multi-sector perspective to specific SWAp sectors to assure they are sensitive to HIV/AIDS issues. That is, government and donors should explore the implications of the actions undertaken within each of the specific sectors for HIV/AIDS prevention and care
- 2) Providing training to participants in the SWAp programs, including government authorities, about the nature, purpose and approach of multi-sector responses to HIV/AIDS
- 3) Encouraging the creation of a HIV/AIDS multi-sector team within each SWAp program

USAID/Zambia's interactions with sector-wide approaches are likely to be tasks for the multi-sector team leader and the Mission Director.

USAID is good at disseminating findings and lessons from its projects and programs. Regular and insightful reporting on the outcomes and processes of multi-sector programming will be important for convincing others, including government authorities. In addition to the reporting through the results framework, it is recommended that a staff member or long-term consultant be charged with following and reporting on the experiences of multi-sector activities. The same person can assist NGOs to adapt such information for advocacy purposes.

How Does the Multi-Sector Approach Address HIV/AIDS in Zambia?

Against these factors relevant to USAID/Zambia's programming is set the HIV/AIDS pandemic itself. The HIV/AIDS pandemic has grown out of and is exacerbated by prevailing conditions of impoverishment of rural and urban people, of women and of young people. The causes of impoverishment in the country, as noted elsewhere, are multi-dimensional. Those conditions of impoverishment have worsened in the past two decades, coinciding with and intensified by the spread of the HIV/AIDS pandemic.

The impacts are widely felt. Households have dis-invested their savings and assets to provide care for sick members and to bury those who have died. The loss of household income and labor is seen in the estimate that agricultural labor has declined by over 40%, less land is being worked, and households are shifting available labor into crops requiring less work. The level of loss of agricultural production knowledge is unknown. Likewise, little is known about changes in land and asset ownership, an indicator of the equity implications of the impact of HIV/AIDS.

The ability of low income households to feed themselves, either from their own production or purchases, is precarious. In a society with high levels of malnutrition, even the slightest change (whether from HIV infection or other factors) can push people into dire conditions. Already, some people have to choose between medicine and food.

The education sector has lost thousands of teachers and administrators to HIV/AIDS, to the detriment of students, many of whom already receive low quality education.

Businesses have experienced the loss of skilled personnel, the costs of replacing and re-training staff, and substantial payments over what was expected for employee benefits. It is likely that numerous small businesses have found loans in default as customers no longer make payments on credit purchases.

Thousands of children and young people are thought to live and work on the street. Others face very limited prospects for achieving economic security.

The hope for improvement, for development as it has been understood by most Zambians, no longer exists.

(A matrix of the effects of HIV/AIDS is in Annex 15. Some supplementary observations on the multi-sector nature of the major development challenges facing Zambia today, with particular reference to the pervasive impact of HIV/AIDS, will be found in Annex 16).

The range of interventions supported by USAID/Zambia is impressive, and some have shown important results. Others, such as the CHANGES project, offer hope for stimulating significant alteration of social attitudes and behaviors. Most notable are those that stretch the boundaries of what is known about promoting behavior change and enhancing community well-being. Within this broad generalization can be included the SCOPE-OVC project for engaging district and community level participants in problem solving; the ZIHP for focusing on young people and moving toward (but not yet addressing) the sexual assumptions and attitudes of men; the involvement of the education sector in getting HIV/AIDS issues on the national school curricula; and the condom social marketing efforts of PSI and others.

These are excellent initiatives. But they do not yet address the magnitude of the non-health impacts of HIV/AIDS discussed above. A multi-sector response can bring USAID/Zambia's work closer to the multi-dimensional realities that people experience day to day. In a word, the complex, multi-sector nature of people's lives should have its counterpart in the multi-sector way development planners and implementers come to think and behave. By using the multi-sector approach, the successes already achieved can be blended into synergistic and sustainable activities.

In the context of HIV/AIDS, "sustainable" does not mean self-financing, particularly as the target market (the HIV/AIDS-affected population) sinks deeper into poverty and crisis. Rather, the HIV/AIDS pandemic must be seen as a major national concern. To expect individuals to pay for services that contribute to society's interests runs counter to national self-interest. Payment can

come from the collection of taxes and, to an extent, international grants. The issue of payment will become even more prominent as drug treatments become more available. USAID's commitment to poverty alleviation as well as gender and socioeconomic equity means that the Mission should become involved in costing issues, including access to drug treatments for HIV/AIDS.

Despite the advances so far, huge problems persist in responding effectively to community needs. The common observation on GRZ programs in rural areas – and indeed in many urban areas – is that there is a disjunction between national actions, policies and resources, and any local progress or impact. In HIV/AIDS the National AIDS Council (NAC) established its internal structure but has made limited progress at clarifying specific aspects of national policy or assisting ministries and other sectors to align their programs with the national strategy. Besides allegations that funding tends to have a significant impact on central ministries and agencies without noticeable effect on the intended beneficiaries, there are also frustrations that the center does not listen or respond to experiences from the field. This frustration is in fact shared in the civil service even at the national level, where little interaction is evident between the planners doing the planning and those trying to coordinate programs.

Two donor strategies are commonly used to tackle this – either to avoid the center as much as possible and concentrate on the field level, or to engage with the central institutions in order to improve performance from the top down. Government unsurprisingly encourages the latter, and many donors have agreed. The USAID portfolio uses both strategies, with support at national level (e.g. ZIHP-SYS, the Policy Project), as well as projects that work as far from central Government as feasible (e.g. SCOPE-OVC, ZATAC).

It is worth noting that the marked central-local cleavage needs to be considered carefully in the context of multi-sector responses. At the national level, a small but well-focused and high-quality technical assistance intervention may go further than a huge project that overtakes the work of fragile government institutions, crushing all within its path. In terms of improved service delivery, it is justifiable to avoid some of the perils of the center and focus on the periphery. But care should always be taken to avoid building expensive, unsustainable parallel institutions. Any periphery-based programs should complement rather than compete with government institutions, at the same time helping to bring the government progressively toward meeting its multi-faceted responsibility to plan and provide resources for the response to HIV/AIDS at many levels.

Chapter 3 - Key Constraints, Issues, and Opportunities

Governance

Constraints

An Undemocratic Constitutional Dispensation

The issue of constitutional reform to address issues of separation of powers among the judicial, legislative and executive branches of government assumes critical importance, particularly with damaging corruption allegations recently leveled against Zambia's second republican President, Mr. F.J.T. Chiluba.²² It is also necessary to address the preponderant powers of the executive branch, the electoral system, and legal protections for basic human, civil and political rights including freedoms of press, association and expression. With power centralized in the presidency, the constitution does not provide an enabling framework within which democratic decentralization and local government reforms can be implemented to treat the inadequacies of local government responsiveness, capacity, finance and service delivery. A related issue is the large power of the Speaker of the National Assembly. Further afield is a variety of issues related to legislative capacity, internal organization and the relationship between MPs and constituents; electoral systems/process reform; and independence of the Electoral Commission of Zambia (ECZ). A constitutional review exercise to create a more equitable distribution of power in government would enhance good governance, safeguard fundamental freedoms, and protect against violent conflicts that can be triggered by bad or undemocratic governance.

'Criminalization' of the State

Recent revelations suggest that corruption flourished during the Chiluba government, 1991 to 2001. Indeed, one could say that Zambia experienced a criminalizing of the state. Apart from allegations linking certain highly placed officials to a scam through which war materials ostensibly destined for Zambia's security forces were diverted to the UNITA rebel movement in 1998, there is abundant evidence of the plunder of public resources which points to the complicity of the former head of state.

Unsustainable Opposition Political Parties

Political parties constitute the very essence of multiparty democracy. Political parties put into words the desires and felt needs, fears and expectations of their members and demand that these be translated into specific legislation, policies and programs or any other government action. Parties may also play a watchdog role in society. Apart from the former ruling party, UNIP, and the UPND, most of the opposition parties formed during the Third Republic have tended to be 'briefcase parties'. Most of them have not been able to establish a foothold in the rural areas and

²² The Post. 2002. "Analysis of Chiluba's Matrix of Plunder." *The Post*. (June 25): pp. 1-3.

have been confined to the ‘line of rail’ provinces. The major factor that has constrained their mobilization work has been perennial and acute resource constraints.

Overloaded Legal/Regulatory Framework

In some respects, Zambia manifests the symptoms of a failed state. The judicial system lacks the capacity to cope competently with a proliferation of cases, which tend to drag on for years before they are disposed of. The judicial sector is further constrained by diminishing courtroom space and a critical shortage of judges and magistrates to expeditiously dispense justice. Foreign investment is repelled by fear that the judicial system is too badly run down to offer adequate legal protection for investments. Zambia has also failed to update legislation in light of regional and global trends. Its antiquated laws militate against sustainable human development and good governance. The Zambia Law Development Commission needs urgent institutional renewal to effectively play its statutory role of prime mover for legislative reform in Zambia. The image of a country with laws to provide a favorable environment for investments and free markets and guarantee foreign investment against arbitrary expropriation will enhance Zambia’s development prospects.

A De-motivated Public/Civil Service

The performance of Zambian bureaucracy remains unsatisfactory, despite the ongoing Public Service Reform Program that envisages a leaner, better-motivated and remunerated civil service after ‘right sizing’. Though the program has been augmented by donor funded interventions such as the Public Service Capacity Building Project, political will to introduce the merit principle in recruitment and placement has been lacking. Another negative factor is poor working conditions, which have spawned a culture of rent seeking behavior at all levels of the bureaucracy. Conditions in the civil service have bred an unhealthy culture of workshops and seminars, a major source of salary supplementation for bureaucrats.

External Refugee/Humanitarian Emergencies

UNHCR has reported the reality that "continued civil and political upheaval in neighboring countries is expanding the refugee population in Zambia now standing at 270,000, the biggest in the Southern African region."²³ This is due to conflicts in Angola and the Great Lakes region. Not only sheer numbers, but also armed elements among refugees threaten refugee safety, security of the country of asylum and that of the country of origin. This could jeopardize regional security and sustainable human development.²⁴ Refugee flows can become conduits that transmit contagious diseases such as HIV/AIDS, tuberculosis, and polio and may overwhelm the administrative and social infrastructure of frontline districts such as Kaputa or Shangombo.

Issues

²³ Shonga, Emelda. 2001. “Zambia’s Refugee Population Shoots to 270,000.” *Zambia Daily Mail*. (September 20): p.1.

²⁴ Angola-Zambia relations have been tense for well over two years since the Angolan government accused certain elements in the Zambian government of helping the UNITA rebels to bust a UN imposed sanctions regime against the rebel movement. See also, *UNHCR*. 2002. *Global Appeal*. p.125

More Balanced Constitutional Powers

Issues here include excessive powers of the presidency and the separation of powers; reversal of the first past the post and nationality amendments adopted in 1996, removal of discriminatory clauses, and strengthening the capacity and autonomy of governance institutions including the ACC, DEC, Auditor-General, etc. In this regard, re-examining the president's power to appoint the heads of all watchdog and supervisory governance agencies should be accorded paramount priority.

Holding Government Accountable

Corruption, arrogance, and bad governance on the part of those entrusted with high public office can be checked more effectively through the reform of laws and the strengthening of governance institutions. Both civil society and public sector institutions can be potential partners. Strengthening the oversight capacity of parliamentary committees may be an avenue to yield productive promise.

Building Awareness among Ordinary Citizens

Citizens more aware of the cardinal issues affecting Zambia are more likely to participate and demand accountability on the part of those in office. Whether the challenge is popularizing condom use to arrest the spread of HIV/AIDS or how a faceless, unaccountable bureaucracy can hurt the opportunities of small scale business people, the bottom line is that people need to be aware of their rights and obligations if they are to demand accountability and good governance

A Parliament Answerable to the Citizens of Zambia

The preponderance of power held by the Speaker, issues related to legislative capacity, internal organization and more sustained communication and relationships between the MPs and their constituents, and electoral changes are components of direct impact on the crystallizing vision of parliamentary reform.

Fragmented Opposition

A critical issue in entrenching democratic governance is the fragmented nature of the opposition parties. Apart from the perennial lack of organizational resources to mobilize membership, most opposition parties lack office accommodation, transport and necessary material resources. There also seems to be a weak link between civic NGOs and opposition parties. While NGOs maintain a good relationship with donor agencies and receive material resources to carry out their work that is not the case with opposition parties.²⁵ Opposition parties urgently require the physical, human and financial capacities to enable them to play a meaningful role in representing social interests and holding the government accountable. Unless opposition parties are so equipped, Zambia is in danger of drifting back into de-facto one party dictatorship, shrouded by a smokescreen of multiparty democracy wherein corrupt and power hungry power holders can plunder public resources with impunity.

²⁵ Simutanyi, Neo. 2002. "Opposition Parties in Zambia: Problems and Prospects." Paper Presented to the Conference for Political Parties on Parliament after the 2001 Elections, Friedrich Ebert Foundation, Pamodzi Hotel, Lusaka, 18th-19th April, 2002.

A Decentralized Local Government Administration

It is important that the Government of Zambia subject its draft policy on decentralization to public discussion as quickly as practicable. This policy ought not to be another decorative showpiece but should offer a viable policy framework to build poverty reduction capacity, finance and overall service delivery.

Opportunities

Constitutional and Parliamentary Reform

The 2001 elections, though deeply flawed, produced a well-balanced parliament where neither the ruling MMD nor the combined opposition enjoys a landslide majority. The MMD will no longer be able to play the same dominating role in Zambian politics as in the 1991 to 2001 period. The current parliament (see Annex 2) contains unprecedented numbers of opposition members and is the most representative since Zambia gained independence in 1964. Its distribution, favoring the opposition, can generate momentum towards constitutional reform. But such momentum can only be sustained if rent-seeking behavior of MPs is curbed so the MMD cannot succeed by offering cash and other incentives to opposition members, as in the controversial re-election of the Speaker.

The MMD: A Divided House

A recent study observes, ‘high level commitment to improved governance and economic performance is both stimulated and threatened by the existence of serious divisions within the MMD which have the potential of blocking forward movement. Progress on reducing presidential powers may be limited in part by desire of the executive to retain powers (“a good president needs discretion”) while he faces serious challenges from within his own party, and by the ambitions of key opposition political leaders to assume the presidency if he falls’.²⁶ But, because the current President is unable to rely fully on the MMD hierarchy, he has added incentive to build alliances with opposition elements and civil society on key reform issues. The strong opposition presence in parliament is inevitable in the short term. This, together with heightened civil society advocacy for reforms, will make it difficult for government to reverse direction without significant cost. The challenge will be to identify, bring together, and focus the energies of key reform constituencies in government, the political realm and civil society.²⁷

Civil Society: A Growing Force in Zambia

To advance the reform agenda (and reduce backsliding), sustained pressure from civil society is essential. Civil society pressure for constitutional reform is likely to be the focus of civic advocacy via the Oasis Forum and other civic fora. The Third Term victory of pro-democracy forces gave civil society renewed confidence to galvanize energies towards clearly defined goals. Since then, Civil Society Organizations demanded government transparency and accountability in preparing Zambia’s Poverty Reduction Strategy Paper. Also, civil society appears to have

²⁶ See Tucker, Stevens P., et al. 2002. *Concept Paper Outline: Democracy and Governance Strategic Objective*. Lusaka, Zambia. (June).

²⁷ Ibid.

found a new theme upon which to build synergies -- corruption. The Chief Justice's recent resignation under pressure over his links to a secret bank account operated by the Zambia Intelligence and Security Services suggests growing civil society strength.

An Increasingly Assertive Independent Media

The role of independent newspapers has been pivotal during the last decade. They have consistently brought to light behaviors and conduct that are detrimental to good governance and in no small measure contributed to Zambians being well informed about the status of governance in their country, when the government-owned media was instructed to toe the party line. The independent media will therefore continue to play the role of watchdog alongside CSOs in the quest to entrench a culture of good governance in Zambia.

Food Security

The majority of Zambians suffer from hunger.²⁸ Indeed, as highlighted in the poverty profile, one of the most common coping mechanisms of the poor is to reduce food intake. Individuals suffering from hunger or food insecurity at the household level are unlikely to be in a position to contribute to their own development. In order to tackle the serious challenge of widespread hunger, economic growth must be generated. Recent studies have shown that sustainable poverty reduction and thus a sustainable reduction in hunger requires equitable growth.²⁹ Given that the majority of Zambians depend on agriculture-related activities for their livelihood, revitalizing the agriculture sector is key to generating pro-poor growth.³⁰ Taking full advantage of existing trade opportunities and creating more is part and parcel of agriculture's revitalization. In addition, generating pro-poor growth entails generating employment opportunities (especially in but not restricted to rural areas), which generate income at the household level and in which HIV/AIDS-affected households can participate. The following section will discuss the general constraints (both domestic and external) that Zambia faces in generating pro-poor growth, and it will also highlight potential opportunities.

Domestic Constraints and Issues

The domestic constraints to achieving such growth in Zambia are varied but can be divided into four main categories: 1) economic factors; 2) physical infrastructure, especially in rural areas; 3) political, institutional, and policy environment; and 4) human capital.

Economic Factors

²⁸ CSO. 1997. *The Evolution of Poverty in Zambia*. Lusaka, Zambia: CSO.

²⁹ Ravallion 2001. Ravallion, Martin. 2001. "Growth, Inequality, and Poverty: Looking Beyond Averages." Paper presented at the UNU/WIDER Conference on Growth and Poverty, 25-26 May 2001, Helsinki; and Addison and Cornia 2001. Addison, Tony and Giovanni Andrea Cornia. 2001. "Income Distribution Policies for Faster Poverty Reduction." *World Institute for Development Economics Research. Discussion Paper No. 2001/3*.

³⁰ GRZ. 2002. *Poverty Reduction Strategy Paper*. The Ministry of Finance and National Planning. Lusaka, Zambia: p. 52.

Various economic factors act as constraints to realizing pro-poor economic growth. First among these constraints is the lack of diversification of the Zambian economy. While copper's dominance in the Zambian economy has decreased over the years, the economy is still dependent on it as the main foreign exchange earner (copper earns more than 50 percent of the country's foreign exchange). Such dependence on a single commodity has rendered the Zambian economy extremely vulnerable to commodity price shocks. Indeed, the secular decline in copper prices has had a devastating effect on the economy.

The agricultural sector is being promoted as a key sector that should drive economic growth in Zambia. One of the main obstacles to realizing this goal is the fact that agricultural productivity is extremely low. Low productivity is due to a combination of factors in the subsistence and emergent sectors, principal among them the limited reach of technologies that increase crop yield and improve cropping intensity (to be discussed further below).

The low level of national savings has had a negative effect on investment. Gross domestic private investment between 1990 and 2000 has averaged a pitiful 5.2 percent. In addition, foreign direct investment averaged less than 4 percent between 1990 and 2000.³¹ If the Zambian economy is to grow, investment must be forthcoming. Attracting investment will require that Zambia achieve macroeconomic stability, and develop a facilitative regulatory and legislative environment. Further, as investment is bad governance averse, good governance will be a determining factor of the level investment that is forthcoming.

Related to the lack of savings and investment is the credit crunch in Zambia. The lack of affordable long-term and short-term credit represents a significant constraint on economic growth. Large investors have access to short-term credit, but it is prohibitively expensive. As a result, their investment is significantly curtailed. In addition, farmers, and micro-, small- and medium-size enterprises (SMMEs) do not have access to affordable formal credit. Both groups are key to generating employment, incomes and thus pro-poor economic growth in Zambia. Consequently, their inability to access credit has serious negative implications for the economy and its ability to grow.

Relative to GDP, Zambia's debt burden had become one of the highest in the world by the 1980s. Such a high level of debt has had a deleterious impact on economic growth prospects. This is especially true given the extraordinarily high debt service that Zambia faced: in the 1990s, external debt service ranged from 16.0 to 120.4 percent of exports, 24.4 to 230.2 percent of government revenue, and 4.3 to 45.7 percent of GDP (World Bank 2001: 4). As a result of the high debt service, social sectors have been crowded out such that government spending on them has averaged a mere 5 percent of GDP. The low level of government investment in human capital has resulted in a weakening of the stock of human capital and has thus had negative implications for economic growth and poverty reduction.

A high level of inequality characterizes the Zambian economy. The gini coefficient was .59 in 1991, .51 in 1993, and .50 in 1996. Yet, despite the decreasing trend in inequality, the overall

³¹ World Bank. 2002.

level of inequality remains high. Income inequality is a manifestation of inequitable access to assets and opportunities. Such a high level of income inequality hinders not only Zambia's prospects for economic growth but also the impact of economic growth on poverty reduction.

Physical Infrastructure

The poor quality of Zambia's infrastructure (roads, power, and telecommunications) results in high transaction costs that negatively impact Zambia's competitiveness. This is especially damaging given Zambia's desire to pursue an export-led growth strategy. The agricultural sector is the most seriously affected by the lack of investment in infrastructure in general and in roads and telecommunications in particular. The poor state of rural roads and the limited telephone network result in high transportation and transaction costs that significantly diminish the competitiveness and thus growth of Zambian agricultural exports. Finally, due to the weakness of the ICT infrastructure in Zambia, Zambian businesses are at a disadvantage because they are not efficiently linked to the global economy.

Political, Institutional and Policy Environment

In order for economic growth to occur, an enabling environment must exist. The political, institutional and policy environments are all critical to enabling growth to occur. The current regulatory environment acts as constraint on private sector growth. As the private sector in a liberalized economy is the engine of economic growth, constraints such as those posed by the regulatory environment in Zambia can only act to obstruct overall economic growth and development. Consequently, regulatory reform is needed to remove legal and policy constraints to the proper functioning of the market. Related to the question of regulatory reform is the broader issue of good governance. As previously mentioned, good governance is critical to attracting foreign investment. The same elements which make it attractive to foreign investment (i.e., transparency, accountability, respect for and enforcement of the rule of law, guaranteed justice), make good governance a critical element for domestic investment and ultimately of achieving sustainable pro-poor growth.

Human Capital

As mentioned in the discussion on the causes of poverty, the low level of investment in human capital in Zambia is a significant contributing factor to poverty. According to UNDP's Human Development Report 2001, Zambia's spending on health and education (as a percentage of GDP) is among the lowest in the world. The low level of investment in these social sectors is contributing to the inadequate stock of human capital in the country. This problem is further exacerbated by HIV/AIDS, which directly affects 20 percent of the population. As HIV/AIDS is ravaging the most productive members of Zambian society, it is seriously depleting the already limited stock of human capital in Zambia. Finally, the stock of human capital in Zambia is also being depleted by the brain drain phenomenon. Given the fundamental importance of human capital for economic growth and development, the limited (and decreasing) level of human capital is among the most serious constraints that Zambia is currently facing.

External Constraints and Issues

Regional Trade Regimes

At the regional level, Zambia is a member of SADC and COMESA. Notwithstanding the region's vast potential, Southern Africa has so far fared badly in terms of investment and trade promotion. The region's national markets are generally too small to take advantage of increased large-scale production, and the lack of competition resulting from the long period of operating under sheltered markets has culminated in the production of uncompetitive goods (in quality and price) in the average Southern African country.

The above state of affairs has been worsened by the Southern African region's declining terms of trade that have fallen by more than 15 percent since 1970. Sub-Saharan Africa's share of world trade stands at less than 1.5 percent, thus relegating the region to the fringes of the global economy in a period when globalization is consolidating itself. Being lodged in a region on the fringes of the global economy, Zambia has not benefited much from intra-regional trade. Some positive changes, though generally marginal, have however been registered in recent years following tariff and non-tariff barrier (NTB) reductions. Still, positive developments are increasingly being dampened by serious challenges elsewhere: the region's external indebtedness and the HIV/AIDS pandemic. The HIV/AIDS pandemic (and its adverse effect on the regional human resource base) is a major challenge to the region's overall development.

Civil Strife, Regional Political Instability and Refugees

Civil strife and political instability have also worsened the developmental prospects of Zambia and other regional countries particularly in the areas of trade and investment. Political instability in oil-rich Angola and unresolved civil strife in Zimbabwe have continued to erode the dividends gained through market-oriented reforms in the Southern African region. For Zambia, in particular, the problem in Zimbabwe has resulted in a noticeable decline in tourism particularly around the shared Victoria Falls. A declining Zimbabwean economy possesses far-reaching implications for Zambia's investment and trade routes. In particular, a decline in Zimbabwean agricultural output due to the land problem in that country has the potential to threaten the regional food reserves, with serious implications for Zambia's food security.

Similar problems can be cited about the effect on Zambia of political instabilities in its western neighbor (Angola) and northern one (DRC). In both cases, the opportunities for cheaper and faster routes to Zambia's major trading destinations have been compromised. Moreover, trade and investment interaction with the two neighboring economies had been curtailed to the minimum in the recent past.³² Another issue that Zambia has to cope with on a persistent basis is the influx of refugees from the warring neighboring countries, particularly Angola, a development that has often worsened food security in the areas where these displaced people settle. From the above analysis, it is clear that the Southern African region has continued to face

³² It must be noted, however, that these markets may potentially open up provided the harbingers of peace that we are currently witnessing bear fruit. Consequently, Zambia needs to remain alert to opportunities.

serious problems that tend to compromise not only meaningful intra-regional integration but also the integration of the region into the global trading system.

Unpredictable Copper Market

Zambia's heavy dependence on copper mining for its merchandise export revenue has made the country quite vulnerable to the vagaries of the world metal exchange markets. Trends in world prices for refined copper largely explain Zambia's declining revenue. Copper prices have declined by more than 40 percent since mid-1997 at the onset of the Asian crisis.

Drought and Floods

The regular occurrence of droughts has led to frequent food security crises in Zambia, as witnessed in the current season where there is a severe shortfall in the Southern African region following poor rains. However, perhaps the most known natural calamity that affected almost the whole country was the 1991-92 drought that required large-scale food relief through substantial humanitarian relief programs. The 1992 drought in Zambia was the worst in living memory, and approximately one third of the population was affected. Lusaka, Southern, and Central Provinces were worst hit. The result of the drought on food output, particularly on the country's staple grain (maize), was translated into considerably reduced levels of national food reserves. Drought also results in a severe water shortage that adversely affects domestic and livestock consumption requirements, a phenomenon that causes serious food insecurity at the national and household levels of those that depend on agriculture. The resulting hunger and reduced access to water also triggers a high incidence of malnutrition and diseases among most affected communities. The limited capacity in Zambia to cope with this natural disaster has over the years tended to amplify the seriousness of its impact.

Floods are another form of disaster that has brought untold suffering to large communities in Zambia. The most recent occurrence of severe flooding were during the 1996/1997 and 1999/2000 rainy seasons, with the latter affecting large populations particularly in the lower and upper Zambezi regions in the southern part of the country, ironically the same areas that are usually hit hard by drought.

Epidemics

Zambia has historically been susceptible to outbreaks of epidemics that often reach disaster proportions. The poor and unhygienic living conditions in the country's unplanned settlements that have mushroomed around most urban centers have triggered cholera and dysentery during the rainy season, resulting in significant human casualties. The poor preparedness on the part of the country to cope with these epidemics has persisted in spite of the fact that they are generally expected almost every rain season.

Opportunities

Agriculture and Natural Resources

Agriculture offers opportunities for pro-poor growth at the level of subsistence farming where household food security can be improved to provide better nutrition and production surpluses for

cash sales; at the emergent farmer level where improved yields can be generated to improve cash income; and at the commercial farming levels where employment opportunities can be made to benefit the poor. Additionally, agriculture exports are also important at the national level in terms of generating needed foreign exchange.

Zambia's size, geographical position, and varied climate zones can provide opportunities in that the northern regions, normally too wet to produce maize and soybeans, could be more productive in a drought year. The resulting surplus production from the sparsely populated north could feed the drought prone south, including Zimbabwe. Taking advantage of this opportunity requires the funding and competent management of a food reserve to absorb store and redistribute surpluses. Additionally, long range weather forecasting, to allow northerly producers to make rational judgments as to whether to participate in the application of the compensatory production principle, is also required. There would be scope for combining the role of food reserve scheme with that of a warehouse receipts program.

In the natural resources sector, both tourism (discussed below) and forestry offer significant opportunities for pro-poor growth through CBNRM and direct employment. CBNRM implies that income generated from sustainable exploitation of the resources is paid, at least in part, to the local communities, and the direct employment is in construction and maintenance of the tourist-related infrastructure, and in servicing the industry.

Trade and Investment

Despite the weaknesses delineated above, both COMESA and SADC have brought opportunities for trade within the region. In addition, AGOA (to be discussed below) and Cotonou will bring opportunities within USA and the EU. The nature of the opportunities needs further exploration and the implications for production standards must be understood and complied with. It is likely that there will be expanded opportunities for export within the region for cotton, tobacco, soybeans, sunflower, sorghum, groundnuts, paprika, cassava and livestock products. The more distant international markets might provide openings for expansion in coffee, sugar, tobacco, paprika, cotton, essential oils, spices, flowers, high value horticulture, groundnuts and non-timber forest products.

One of the approaches that countries in the region have adopted to enhance trade and investment (and one that seems to hold considerable promise for Zambia) is the Cross-Border Initiative (CBI) for Eastern and Southern Africa and the Indian Ocean countries. CBI was initiated to facilitate regional trade, investment, and payments structures. It argues for accelerated economic liberalization in the spheres of external payments and the domestic regulatory environment in a manner that empowers the private sector to exploit the new opportunities in the regional and world markets.

The emerging relationship between Southern Africa and the European Union (EU) with respect to the Trade, Development and Cooperation Agreement (TDCA) that was concluded between the two parties in October 1999 is worth mentioning. TDCA will, within a period of 12 years, facilitate the establishment of a free trade area between Southern Africa and the EU, covering

almost all tradable goods. The agreement provides for the full liberalization of 95 percent of EU imports from Southern Africa after the 10-year transitional period while Southern Africa shall, in turn, liberalize 86 percent of its imports from the EU after 12 years.

Running concurrently with TDCA (to which Southern Africa is a party) is the SADC Protocol on Trade that was launched at almost the same time as TDCA (in September 2000) and which aspires to establish a Free Trade Area among the 14 member states over an 8-10 year period. Effectively, this means that Southern Africa shall simultaneously be implementing two separate free trade regimes, a phenomenon that has far reaching implications, both positive and negative, for the other regional, mainly SADC, member countries including Zambia in terms of trade diversion and creation.

The implications of the above developments, whether real or potential, are that regional exporters have to maintain an aggressive posture in their pursuit of the South African market for them to consolidate their market access prior to the full operation of TDCA. Zambia, in particular, ought to more seriously address its current weak regional competitiveness in the area of foreign direct investment attraction. For the Southern African region as a whole, an added challenge lies in how best to enhance regional competitiveness in trade and investment without compromising the ideals of the multilateral trade regime that is being governed by the WTO rules.

A word on the African Growth Opportunity Act (AGOA) of the United States: AGOA basically aims to extend certain trade benefits to sub-Saharan Africa. It is an attempt by the government of the United States to legislate its effort to open up Africa to the challenges of globalization, in general, and to facilitating enhanced commercial interaction between the U. S. and Africa. It is an initiative that also brings considerable pressure to bear on the African country that qualifies to benefit from the arrangement, given the diversity of its access criteria. In this regard, promoting value-added exports may be an effective way to meet the access criteria.

The New Partnership for Africa's Development (NEPAD) which aims at fostering regional cooperation and African-owned and led development may, if allowed to reach its potential, result in a more peaceful, stable and prosperous region. Such a dramatic and positive change in the regional landscape would present Zambia with new opportunities such as expanded regional and international trade.

Finally, reinvestment of capital from disrupted neighboring countries and diversion of capital resources destined for them can play a major role in strengthening the economy if Zambia is able to present a favorable image in contrast to its neighbors. The Investment Center aims to make the process easily negotiated and to portray Zambia in a positive light to attract new entrants. The Zambia Competitiveness Commission aims to guard against the establishment of monopolies and cartels to ensure fair competition and should be in a position to study the playing field to ensure that it is not tilted against the interests of Zambian citizens.

Tourism

Given that Zambia possesses vast natural resources for tourism and eco-tourism, the tourism industry is an important potential contributor to national income, employment, and foreign exchange. However, as previously mentioned, in order to seize the opportunities that tourism presents the country the poor transport facilities, inadequate infrastructure, low level of skills in the hospitality industry, inadequate marketing and poor security should given priority. The impact of HIV/AIDS on Zambia's tourism market also requires further investigation.

Disruptions to Zimbabwe's tourist industry also provide opportunities for Zambia with similar or better resources although these may be viewed from afar as being in the same "pot" as Zimbabwe when international news carries adverse publicity. If Zambia is to take advantage of this opportunity it must therefore exert some effort in differentiating itself from its neighbors, Zimbabwe in particular.

HIV/AIDS and the Social Sectors of Health and Education

HIV/AIDS AND HEALTH

Constraints and Issues

There are three broad and inter-related components of the HIV/AIDS pandemic: prevention and reduction of vulnerability to infection; care and treatment for people who are infected; and mitigation of the impact of the disease on households, communities, businesses, and the country.

Some successes in combating the disease, notably in promoting prevention among urban youth, should be acknowledged and analyzed as examples of what is possible. A number of urban-based programs offer counseling and a variety of services for people who are HIV infected. Home-based care programs have been established, with some positive results. Small and fragmented projects exist to deal with some of the impacts of the pandemic, such as school sponsorship for orphaned children.

But on the whole both government and donor responses have been inadequate to stem the tide and fully support any of the three aspects of the pandemic. For instance, the weak public health system is not able to play a full complementary role in prevention activities to the NGOs, faith-based groups and donor-supported programs, let alone to take the lead. Inadequate HIV/AIDS response across the board is especially true in rural areas, where the scale of the epidemic is still not well understood. Government has largely abdicated its responsibilities to Zambian citizens, leaving most care and mitigation responses up to families, communities, NGOs and faith-based groups. The Zambian tradition of generosity in caring for one's neighbors has been widely in evidence in the care and support quietly provided by communities to the suffering and their families.

Zambian public sector health services are, generally, of poor quality. Clinic staffs are overworked and underpaid, with limited opportunities for in-service training. With the exception of selected pilot projects, health services are not supported by adequate attention to the basics of good nutrition, clean water and sanitation. Health facilities are unable to depend on the ready availability of basic drugs, equipment and supplies, due to frequent breakdowns in procurement and distribution systems. Treatment of STIs, save for a few pilot initiatives, is of poor quality and is grossly inadequate in rural areas, where, again, inadequate access to full service, high quality services is especially acute.

Accentuating this situation is Zambia's pervasive poverty, addressed at length elsewhere in this report and best exemplified by widespread *food insecurity*. Especially in rural areas, it is not an exaggeration to say that many people are often unsure of where their next meal of any sort, let alone one that is nutritious, will come from. Weakness borne of hunger keeps children from school, and the resulting malnutrition makes them susceptible to illness. In a country traditionally low in crime, theft of food supplies is becoming more common. Slow to adopt methods of conservation farming in the face of persistent drought, Zambian agriculture is not keeping up with the country's need for food. The resulting hunger gives malaria, TB and other opportunistic infections the chance to prey on weakened bodies.

The importance of dealing with the linked issues of *hunger and malnutrition* in Zambia can be encapsulated in quotes from two long-time activists and Zambian residents. Asked to comment on gaps in the country's health system, an agricultural worker noted that first "we've got to get the food situation sorted out. It's utterly hopeless if the country can't feed itself." A physician, commenting on the demand for and impact of services at a health center offering integrated care, observes that "ten days of a protein diet do wonders for AIDS patients."

The situation of children orphaned by HIV/AIDS has been extensively analyzed, including in the recent evaluation of the SCOPE-OVC program which works to strengthen community capacity to house and care for orphans. This is not an easy task because it is often a question of getting action and support out of people who are themselves already stressed by the burdens of the disease. But keeping orphans in their communities is a widely accepted objective, one that draws on Zambians' generosity of spirit and willingness to be caregivers. An expanded, long term commitment on the part of government and donors to dealing creatively with the issue of orphans is essential.

Adding to a difficult situation is a persistent brain drain that sees many talented Zambians leave for other countries to find security and professional fulfillment under more optimistic circumstances. People sent abroad for technical or academic training far too often choose to remain outside the country. The effect is two-fold. There is an obvious loss to the country of much-needed talent and energy. Even more debilitating is the demoralization this causes among those who remain, who see themselves fighting uphill battles without the needed weapons and with little apparent chance for success.

Opportunities

Human resources. While the situation is difficult, it is also one that can be turned around, primarily because of the talent still to be found in the country. Notwithstanding the impact of HIV/AIDS and Zambia's brain drain, many skilled, committed people remain. They constitute a resource that (1) must be strengthened, nurtured and given the opportunity to maximize its talents and (2) is a ready source of new ideas and replicable models. They have been responsible for designing dynamic pilot service projects, such as those providing counseling and services in youth-friendly settings; developing new understanding about the keys to community empowerment; and championing new approaches to raising valuable food crops in drought-parched soil. They work in NGOs, faith-based organizations, and the public sector, at national, district and community levels. They want to contribute to Zambia's rebirth.

Now is also the time to look closely at the critical role of public sector health workers, in an effort to encourage them in their work and make them feel needed and appreciated. Nurses and other workers in rural hospitals and health facilities often feel overburdened and under-rewarded for their work on the front lines, dealing with the complex and stressful health issues of the day. Salary increases would be the most tangible indication of their worth. If this is not possible, other ways of expressing support and encouragement would be to give them opportunities for refresher training and development of essential new skills.

This assessment of human resources should carry over as well to the role of community volunteers, such as members of Village Health Committees (VHC). As the principal interface between the community and its health facility, a VHC is in a position to expand health center services and at the same time make the facility aware of the community's unique needs. Some tangible expectation of reward for these volunteers, if not in the form of salaries then in tangibly useful items such as bicycles or umbrellas, is not unreasonable. The issue has been frequently discussed, so far without resolution. Now would be a good time for creativity and progress.

Community-based action. In the context of addressing problems in a multi-sector manner, talent and need intersect most promisingly at the level of the community. A community's needs are, almost by definition, multi-sectoral. While vertical programs have their place in directly addressing a particular problem and developing capacity to address it from the national level, in the community there is no such compartmentalizing. Throughout Zambia, the empowerment and strengthening of communities to take the lead in dealing with the full range of issues affecting them may be the single most promising avenue to lasting health and development.

In making communities the focal point of multi-sector action to address HIV/AIDS, poverty and ill health, there are models and lessons to learn from and talent to draw on. The “care and prevention” (CPT) teams of the Salvation Army’s AIDS management and training service in Chikankata offer a much-admired approach to community outreach and home-based care for the afflicted and their families. The Zambian NGO HODI has done ground-breaking work in understanding community dynamics, so as to draw on and strengthen communities’ ability to solve problems and orchestrate their own development. These and other projects and models

provide a wealth of understanding of how communities can be empowered and supported. They should be called on and learned from in developing expanded strategies for community-based action.

EDUCATION

Constraints

The crisis in the education sector constitutes a major constraint to the promotion of sustainable human development in Zambia. The crisis manifests itself in several ways, including the following: low enrollments, low progression, high dropout rates; poor attendance because children are engaged in income – generating activities to supplement family incomes, tending sick family members, and traveling long distances from school; poor learning environments and lack of opportunities for appropriate skills training; malnourished learners who are unable to achieve their full learning potential; de-motivated and ill-qualified teachers, especially in the rural areas, high illiteracy levels; ill health among teachers, pupils, and others in the education system; lack of motivation for parents to send their children to school; and gender disparities because of choices parents have to make on who goes to or stays in school. Zambia's PRSP notes that the education system is characterized by inadequate places at all levels due to a wide range of factors such as cost and insufficient numbers of teachers and tuition materials, particularly in rural areas. In addition, there is inadequate provision of appropriate educational opportunities for the differently endowed. Low levels of retention compound this, with children beginning to drop out of school as early as Grade 2 due mostly to the high cost of education. Other reasons for dropping out are HIV/AIDS infections in the family, long distances to school, opportunity labor costs, early marriages, and pregnancies.

Issues

It cannot be over-emphasized that the HIV/AIDS pandemic in Zambia threatens to wipe out all the gains Zambia has registered in the realm of human development over the preceding four decades. The PRSP notes that education is severely hit by the pandemic because teachers are said to be among the four most infected groups in Zambia. Teachers dying from the pandemic each year are estimated at about one thousand. Another tragic consequence of the situation expresses itself in the 600,000 or more children who have been orphaned by the pandemic, many of whom have dropped out of school for lack of means.

Opportunities

Opportunities in education are not easy to discern under the circumstances. Basic public education, already wracked by multiple woes, is further devastated by a plague that is hitting

teachers and female students especially hard. HIV/AIDS at one and the same time cuts down disproportionately an indispensable profession and the very half of the population that gender mainstreaming work is intended to benefit. Realistically, it may be that preserving the very most that is possible in these conditions is the best one can hope for. If there were an opening, it would appear to consist of seizing an advantage from the relationship between education and the disease by turning education itself around to strike back against its greatest tormentor, HIV/AIDS. Happily, that has begun: the Ministry of Education (MOE) leads all other Zambian ministries in its anti-HIV/AIDS planning and activities. Funding agencies are stepping forward to finance ways of using education and its structure to attack the disease. Zambia's network of schools, pupils, teachers, parents and well wishers could become a potent anti-HIV/AIDS weapon particularly at the key ages when children can be most easily influenced and are also the most vulnerable. The stakes in this counterattack are no less than saving the coming generation for development in lieu of losing it to HIV/AIDS.

Chapter 4 - Lessons Learned from Ongoing Programs

This chapter treats the lessons that have been drawn from recent development experience in Zambia. The first section presents lessons learned from other donors and the second presents the lessons learned from ongoing USAID/Zambia and private sector programs.

Drawing on Other Donors' Experience

Growth and poverty reduction have emerged as main objectives of bilateral and multilateral aid agencies. Poverty reduction is presently the declared strategic goal for the World Bank, the EU, UNDP, Sweden, Denmark, Finland Belgium, Canada and the Netherlands. Although the USA, Germany, Japan and the UK view poverty reduction as one priority area in their aid interventions, this topic is still competing with several other top priorities. France is yet to explicitly identify poverty reduction as priority in its assistance to developing countries. The World Bank is presently leading the global poverty reduction initiatives.

Most donors subscribe to the World Bank's pro-poor approach to poverty reduction. Variations are, however, evident at the level of emphasis, targeting and sequencing. For many bilateral donors, poverty is increasingly perceived as a multi-dimensional challenge that requires both livelihood approaches and the minimizing of people's exclusion from effective participation in national life. This new perception of poverty has important implications not only for who should be targeted but how this should be done. From the current position of many donors in Zambia, the 'how' aspect calls for strengthened institutional capacity at all levels of the aid relationships, namely within the donor camp, at the recipient government level, at the project level and perhaps more important at the community level. Participatory and empowerment considerations are increasingly being recognized by bilateral donors and, more recently, multilateral donors (including the World Bank) as ingredients for aid effectiveness.

The major shifts in orientation regarding how poverty is perceived resulted in a number of initiatives among donors during the latter part of the 1990s. First, a considerable number of internal reviews of how donors set priorities and render operational their support towards poverty reduction have emerged, emphasizing partnership in the aid relationship as the guiding principle, particularly by Nordic aid agencies (Sida, DANIDA, FINNIDA, and NORAD). Secondly, the reemphasis of poverty reduction as the strategic goal has been characteristic of DFID and CIDA.

In spite of the above positive developments, a number of difficulties persist that provide additional challenges for poverty reduction. Perhaps the greatest challenge once poverty reduction has been identified as the strategic priority is how to go about realizing it. The first conceptual hurdle is to define who the poor are and, consequently, how to target them. Proper targeting of the poor has generally proved to be elusive for donors and Zambia, and it is one area where more work is still required. Nevertheless, almost all donors in the country have given prominence to the reduction of gender imbalance in their poverty reduction interventions,

focusing principally at the level of access to resources within communities and households as well as access to services, particularly education, health and knowledge generally.

The next challenge regards how best to ensure that there is local ownership of externally supported interventions. This consideration brings to the fore the issues of participation and ownership. One of the lessons from the past failures of aid in Africa is the importance of avoiding ‘top down’ approach to project design and implementation as this invariably results in aid ineffectiveness.

Another emerging consideration among donors is their response to the general failure of the project approach to aid management. The sheer number of donors in the country; the multiplicity of their projects; and their uncoordinated different planning, reporting, accounting, administrative and legal requirements have all resulted in aid fragmentation and a threat to local ownership in general, and reduced opportunities for program sustainability in particular. In the light of this, many donors in Zambia have now recognized that effective partnerships are strategic in their external support efforts and are incorporating broad-based stakeholders beyond governments. Various donors now subscribe to the Sector-Wide Approach (SWAp) to external assistance as a possible means of improving aid management effectiveness and efficiency. In particular, Sida, DFID and DANIDA have issued explicit and detailed guidelines on conceptualization and integration of SWAp in their respective operational modes of assistance. There is a growing realization that the efficacy and effectiveness of external assistance are enhanced if donors that operate in a given sector work jointly towards the development and improvement of local implementation institutions. Thus, rather than individually target their assistance to their respective projects, donors increasingly see working together among themselves and with the recipient communities as a better and more sustainable way of capacity strengthening of indigenous implementing institutions. Annex 10 summarizes key elements of approaches by Zambia’s other bilateral donors from which USAID could draw some lessons.

One criticism of a project-by-project approach to external assistance is that it may result in the formation of parallel structures that are capacity draining on the part of the ill-equipped government system. But there is still a general reluctance to fully embrace SWAps. This is principally due to real and perceived government capacity limitations especially in the area of resource utilization and accountability. Many donors are finding that the level of institutional development that is required to effectively apply SWAps has been severely underestimated, especially in the light of the weak implementation and expenditure management record in Zambia prior to SWAp. The poor monitoring and evaluation systems that have been characteristic of most sector-wide efforts in the country have also introduced a challenge to SWAp effectiveness. A few success stories have, nevertheless, been noted, particularly in health, where relative success has been achieved in bringing donor support to the sector within a common management and planning framework for implementing the agreed sector strategy. This has effectively brought the health sector budget back to the center of policy-making and has resulted in some degree of unification of expenditure management in pursuit of agreed sector objectives. Very promising signs are also emerging in the relatively new Basic Education Sub-sector Investment Program (BESSIP). The lesson here may be that in sectors where SWAps are

well designed and functioning effectively, it could be prudent to consider some level of participation.

Drawing on USAID/Zambia and Private Sector Experience

Governance

The cardinal importance of good governance has recurrently demonstrated itself in scenarios of failed states. It cannot be overemphasized that when there is collapse or implosion in governance systems, the end result is that accomplishments in sustainable human development tend to be seriously jeopardized. Hence, even though Zambia is broadly characterized as a stable country by African standards, care should be exercised to guard against complacency, which might make USAID/Zambia oblivious to factors with the potential to ignite conflict. It is no exaggeration to point out that the deep divisions that arose over former President Chiluba's attempt to manipulate the constitution during the Third Term debate in 2001 had the potential of triggering a failed state type of scenario in Zambia. USAID should therefore remain vigilant in detecting bad governance practices that lead to state implosion or collapse.

For good governance to irreversibly take root in Zambia, constitutional reform is absolutely imperative. Such a reform exercise ought to focus on the necessity of a paradigm shift from presidentialism to a more balanced system of equally weighted checks and balances. Within this framework of reform, problematic questions regarding the first past the post clause, the nationality clause which consigns some Zambians to a second class status, the autonomy of the Electoral Commission, the dictatorial power of the Speaker of the National Assembly, the freedom of the press etc must be squarely addressed. USAID should therefore remain firmly engaged in its support for broad reforms in the governance sphere.

A third important lesson emerging from the contextual study is that USAID's support for public debate and increased citizens' awareness as evidenced by its support for the Law Association of Zambia, OASIS Forum, FODEP etc. has played an important role in advancing the healthy growth of a democratic culture in Zambia. The strategic coalition of diverse civil society actors and forces that crystallized to oppose the Third Term demonstrated that given the right objective conditions, civil society can harness the immense moral energy of the public and prevail over undemocratic practices and tendencies. Through its support for the OASIS Forum process, SO4 can justifiably claim to have played a not insignificant part in a process, which preserved democracy, free speech peace, and stability in Zambia. USAID should therefore maintain this engagement.

Another important lesson emerging from the contextual study is that stakeholders take the view that if Zambia is to be a major competitor for external investments, it is imperative that the country put in place a correct, stable and enforceable legal framework to guarantee the smooth functioning of free markets. USAID's support for increased efficiency in the administration of justice in order to enhance the rule of law is therefore viewed as an important ingredient in the

recipe of measures intended to spur investor confidence in Zambia's economy. USAID should therefore maintain this engagement.

Food Security

Eradicating hunger implies eradicating household food insecurity. To achieve this in a sustainable manner, the economy and, in particular, the agricultural sector and related activities must be revitalized. In addition, it is also clear that household incomes must be increased. Consequently, employment generation also becomes important. The following section highlights the lessons learned in the vital areas of agriculture, natural resources, the environment, trade and investment, and private sector development.

Agriculture, Natural Resources and the Environment

On successful agricultural developments

Success in pro-poor economic growth has been limited in agricultural projects to those, which have been linked from the outset to a market. This link ensures that the product is tailored to demand and that resources are not wasted in pursuit of a market for a product chosen for its familiarity or ease of production. The ZATAC project to enhance milk production in Southern Province is a case in point where links to the milk processing factory owned by Finta in Livingstone have proved to be a strong driving force in achieving success in increasing the income earning opportunities of the poor. Similarly, the links to the export markets for fresh vegetables have been a key to success in expansion of outgrower production in the vicinity of Lusaka where families have benefited from the greatly increased income.

On projects aimed at concentrating rural development initiatives

There have been many attempts at applying development initiatives to specific locations where a range of facilities are brought to the doorstep of beneficiaries. These have included resettlement schemes and Integrated Rural Development Projects in various forms. Little or no impact can be detected in the target communities within a short space of their closure because they did not substantiate links with markets. While the temptation is to make repeated efforts to satisfy all the perceived needs of rural communities under the umbrella of a single development scheme, it is salutary to reflect on the extent of the failures and to concentrate instead on provision of market links and associated training and inputs to feed them. This is the sole purpose of outgrower schemes, which make no effort to interfere with or contribute to other aspects of life in rural communities. They have been successful largely because they do not impose outsiders' perceptions of the needs of communities and they leave intact the self-determination of the outgrowers in planning their lives.

On operating in rural areas

Traditional institutional structures in rural areas are much respected by the people of those areas and effective alliances can be built with them in the pursuit of development issues. The sight of a project vehicle bypassing the traditional leadership to conduct its business with a target group generates disrespect for the aid agency with the traditional leaders. The experience of the

traditional elders can be enlightening in designing a strategy for development by encompassing lessons from the past and in adjusting the delivery of benefits with respect to the cultural context.

In Chief Mukuni's area (near Livingstone), a Board of Trustees has been established to represent the communal interests in matters of development and to act as a focus for communication between for instance a development agency and the people. The Chief and Chieftainess (it is a dual chieftainship) sit on the board together with others, and it is claimed that this creates a successful channel for delivery of benefits to the people. Villagers naturally put more trust in the institutions that they themselves have created than any imposed structures, and the deliberations of such bodies therefore carry authority.

On the need to inject cash in the rural areas

As many rural communities are still not significant participants in the cash economy, trade opportunities are constrained by the lack of cash. Injecting cash into poor communities is therefore a fundamental step in the process of poverty alleviation. One way is through public works-type projects that generate temporary employment with the aim of community enhancement. Such an enterprise should be evaluated in the light of its contribution to relieving hunger. Small loans and micro-credit can also play a role in job creation, but only when there is sufficient cash circulating for neighbors to buy the micro-entrepreneurs' goods or services.

On natural resource management

The major influence on the prospects for success in the management of natural resources is the full involvement of the local communities who live by those resources. There have been failures in this attempt, but there have also been successes in promoting accountability through a sense of ownership and accountability for the destiny of the resources and the lives of those who depend upon them. While the evolutionary path towards successful formulae for each location and community structure is tortuous and long, it is clearly a useful process and should be followed with patience and determination.

On effective linkages

Project links with the private sector are a more efficient and effective channel for transfer of benefits to the poor than those which involve Government Ministries. Although the Ministry of Agriculture voices concern over the duplication of efforts, experience of many donors has shown that it has not responded effectively in development initiatives. A stakeholders' meeting in Lusaka confirmed this finding and cited USAID's comparative advantages in interacting with the private sector as justification for adhering to private sector linkages as opposed to basket funding through the ministry or expecting the ministry's operational capacity to adequately cope in discharging the counterpart obligations in joint programs.

Zambia's Trade and Investment Environment

A number of lessons can be derived from the analysis in the area of trade and investment. The magnitude of economic decline in Zambia has introduced major uncertainties regarding the country's trade and investment prospects. The trade and investment climate has been dampened

by a variety of factors, including weak GDP growth; a contracting domestic market; weak market structures; lack of market information; high cost of production; and poor infrastructure. It is clear that the unstable macroeconomic environment has compromised foreign investor confidence in an economy where the embryonic and weak local entrepreneurial community is insufficiently equipped to take up the challenge of economic diversification. The lack of finance, in particular, has worsened the already weak indigenous entrepreneurs. Looking at the pattern of growth that has emerged over the years under these conditions, one lesson is that unless the level of growth is sufficient and sustainable, Zambia's trade and investment environment would not be supportive of pro-poor growth.

Private Sector Development

On the need for more employment generating activities

As previously discussed, the overwhelming majority of Zambians is living below the poverty line, unemployment and underemployment stand at more than 75 percent, and economic growth has been relatively stagnant for the last three decades. Zambia is also currently facing challenges on multiple fronts, including HIV/AIDS, food security problems and increasing crime. Generating employment in an environment such as exists in Zambia is absolutely critical. Globally micro-, small- and medium-size enterprises (SMMEs) have proven to be a key to generating employment and incomes, increasing economic growth and helping to alleviate poverty. In Zambia micro- and small-scale enterprises alone are estimated to employ more people than the formal sector as they account for more than 700,000 jobs, 47 percent of which go to women (Parker 1996). But the vast majority of SMMEs, even in urban areas, are closely linked to the collection, transport, processing and sale of agricultural products, which leads an SMME strategy back to the core economic driver of strong agricultural sector development. As Zambia faces an increasingly competitive environment as a result of free trade agreements such as COMESA and AGOA, new opportunities will open for Zambian businesses of all sizes, including agriculture-related enterprises. The key to “pro-poor” growth is to ensure that sufficient numbers of poor are able to participate in these opportunities at many levels as they emerge. At the same time, HIV/AIDS puts many productive activities – particularly those that require investments of time and capital – out of reach of families with reduced labor and capital resources due to HIV/AIDS. Any SMME or broader private sector strategy must be forged with a clear understanding of the new barriers to employment and income generation erected by HIV/AIDS.

On the regulatory environment

The regulatory environment in Zambia is not conducive to private sector development, increasing competitiveness or pro-poor economic growth. Even when SMMEs have the potential to generate employment and improve competitiveness, they may fail to achieve their potential if the proper regulatory environment does not exist. Ensuring that such an enabling environment that favors competition, reduces barriers to market entry, and enforces contracts is absolutely critical to SMMEs and private sector development in general.

On the issue of a public-private dialogue

A public-private dialogue that can contribute to policy development and ultimately Zambian development is absent in Zambia. Establishing such a dialogue is essential for fostering growth and development. The upshot of liberalizing a previously state-led economy is that the private sector has taken on a more prominent role in the economy. However, its ability to thrive and successfully compete in the global economy is limited by legal and policy constraints. A structured public-private dialogue can contribute to sound policy development that responds to the needs of a competitive market economy. In particular, such a forum could be used to discuss matters of concern to the private sector (and possibly other actors representing civil society such as labor) and of relevance for the economic development of the country as a whole. It can also become a much needed mechanism for transparency and accountability.

On this basis alone it makes sense to promote the development of SMMEs in Zambia. However, in addition to increasing employment and improving welfare SMMEs can also be the key to fostering economic efficiency and thus competitiveness in developing countries (this will be discussed further below). Given the increasingly competitive environment that Zambia faces as a result of trade liberalization, the opportunities that free trade agreements such as COMESA and AGOA present to Zambia, increasing the competitiveness of SMMEs is critical. In the end, SMMEs are key to increasing employment and achieving competitiveness and thus generating pro-poor growth.

On expanding HIV/AIDS in the workplace campaigns

Efforts to increase awareness of the impacts of HIV/AIDS on business and to introduce HIV/AIDS prevention workplace campaigns are more effective when the impact on business (in terms of costs, productivity, etc.) is made explicit. Consequently, ensuring that businesses understand how HIV/AIDS affects their bottom line may be the most effective means of gaining their full participation. However, analysis of the impact of HIV/AIDS is often a hurdle many businesses cannot overcome. Support to private sector entities of all sizes, possibly through business associations or other organizations, can help greater numbers of businesses learn more about HIV/AIDS and communicate more carefully with their workforce. While not tried to date, there is reason to expect that such support can even reach micro-entrepreneurs, especially if targeted by type of activity or subsector. Information may be delivered to entrepreneurs at common processing facilities or via input suppliers, or through other opportunities to reach many entrepreneurs at a single location or event.

HIV/AIDS and Health

1) The HIV/AIDS pandemic is changing in Zambia. Some indicators suggest that prevalence is leveling off, that behavior changes to reduce risk are being made by young women and by men, and that a set of interventions supported by a broad range of sources is contributing to social acceptance of the reality of HIV/AIDS and the need for individual change. Any such changes need to be sustained and reinforced to help turn these indications into trends. USAID may need to concentrate on certain priority areas of support in order to focus on broadening select

interventions. At the same time, the pandemic requires new responses to assist affected children and women, communities, businesses, the civil service and others to cope with the multiple impacts of the disease. Also, the life-giving opportunities offered by drug interventions for children of pregnant women and people who are living with HIV/AIDS have implications for VCT services, the functioning of all other health services, expanded care for orphaned children, and support for all caregivers.

2) Multi-dimensional responses to the pandemic are evident in a number of community-based initiatives—some spontaneous and others facilitated by outside groups—and these provide models, lessons and methods that deserve far more attention and emulation. The multi-dimensional impact of HIV/AIDS is widely acknowledged in government policies, although government agencies and donors have found it difficult to design and implement multi-dimensional responses. In part, this is because initiatives have sought to add on HIV/AIDS responsibilities to the existing activities of sectors rather than building on areas of overlap and synergies between sectors. As now practiced, the multi-sector approaches provide few lessons for designing further programming and little evidence of impact.

3) A key feature of community-based responses to HIV/AIDS is that locally relevant issues and problems, often associated with the impact of HIV/AIDS, arise and become the stimulus for community problem-solving. That is, aspects of local governance, poverty alleviation, resource mobilization, care and education for children all receive attention to varying degrees in these responses.

4) The demand side of sexual relations deserves far more attention. Little has been given to male social and cultural attitudes which contribute to their manipulation, coercion or expectation of sexual situations. Girls, in particular—whether they are in school, working as domestic servants, trying to earn cash by hawking, or working in overt prostitution—are subject to sexual coercion, manipulation, and harassment by men. Young women in particular are especially vulnerable to manipulation, coercion and HIV infection. Greater attention is needed to changing social norms and cultural patterns that place young women at risk. The CHANGES project is addressing this for school girls and boys and the outcome of its activities in Southern Province deserves close attention. In addition, the media and faith-based groups can play a significant role here.

5) Interventions exist to provide home-based care for people who are HIV infected. Linking these more directly with other community responses to HIV/AIDS (as has occurred through Chikankata) can strengthen HBC. Greater interaction with the private sector to assure availability of palliative medications (aspirin, fungicides) and commodities (gloves, soap) can significantly improve the living conditions of people living with HIV/AIDS and their caregivers.

6) The stigma attached to HIV/AIDS—the infection itself and association with people who are infected—continues to shape public attitudes. This accounts, in part, for the low use of VCT services.

7) HIV/AIDS interventions in the workplace have been slow to develop. This is primarily due to the lack of incentives to businesses, the lack of worker advocacy, and the absence of a

facilitating group to assist businesses and workers' organizations to develop appropriate workplace policies and programs. FHI has recently published the most practical guide available on HIV/AIDS workplace issues, and this should be widely disseminated to companies. Likewise, workplace interventions have tended to focus primarily on the formal sector, although over 80% of working people are in the informal sector. Greater attention to creative methods to reach the informal sector groups—producers (such as outlier farmers), marketers, distributors -- could provide substantive benefits. Little has yet been published on informal sector workplace programs despite numerous projects targeting almost every conceivable informal sector work group, from beauticians to taxi drivers, from certain small urban businesses to commercial sex workers. The FHI website on HIV/AIDS does offer some examples. And the ILO is believed to be starting to work with small business associations in southern Africa. Clearly, a multi-sector approach can assist with new thinking and new perspectives toward finding links to the informal sector within existing or new prevention and care programs for select target groups.

8) The implications for HIV/AIDS risk are rarely evident in analyses of economic and political sectors. Yet analyses of governance at all levels of society, economic performance, poverty reduction and agricultural production all have dimensions that relate to causes or results of HIV/AIDS. A clear example is the changes in cropping patterns seen by the Food Security Research Project team in Northern Province under pressure of labor constraints associated with HIV/AIDS in households. Another example is the mobilization of civil society—an aspect of USAID activities—around HIV/AIDS issues, not yet factored into governance programs.

9) USAID sub-contractors bring a broad range of experiences built up within Zambia and in surrounding countries. When backed by resources, their interventions demonstrate impact, but often neither the intervention nor impact are sustainable when funding or program support end. There is still room for learning from recent experiences of neighboring countries in community mobilization, orphaned and vulnerable children, civil society shaping and monitoring of government policies. In turn, Zambia has much to teach other programs in community mobilization, counseling and stigma reduction.

10) Health services. Although overall quality and access to health services in Zambia remain poor, some successful service activities exist in urban areas that are targeted and integrated. An example is the recently opened New Start VCT Center in Lusaka. A stand-alone facility, anonymous on the outside and warm and welcoming on the inside, it has far exceeded its expected numbers of clients in its first months of operation. Assuming that the next few months show that this level of demand is constant or rising, the New Start experience, modified for counseling and service needs in other cities and districts, is worth replicating elsewhere. It could help meet a critical need as government begins to implement its commitment to open up VCT in integrated service sites.

11) Food insecurity, hunger and malnutrition. Nothing illustrates more starkly the importance of taking a multi-sector approach, not only to responding to the HIV/AIDS epidemic but to improving health and health services as a whole, than the linkage between a full stomach and a healthy body. If widely adopted, conservation farming methods, supported by USAID through CLUSA, can gradually help Zambia to return to being self-sufficient in food production, rather

than dependent on the WFP and others to defeat famines that do not have to happen. Assured of enough food to eat, Zambians can then work to assure themselves that they are getting the right foods for a nutritious diet, an area in which USAID has vast experience. With proper nutrition, resistance to disease will rise, easing some of the pressure on health services.

12) Orphans and vulnerable children. USAID has supported OVC initiatives in Zambia, with an emphasis on housing and caring for children whose parents have died of AIDS in their communities. This is a program area that must be expanded, one which will require immense inputs in terms of training and capacity building at the community level.

Techniques for Building on Community-based Action. Reference to the community as the focal point of multi-sector activities is omnipresent in this discussion, as it must be if permanent, positive change is to occur. It is important to note, however, that an effective multi-sector approach does not mean doing everything at the same time. The careful, locally appropriate sequencing of interventions in a given community is far better than drowning it in a flood of activities. Otherwise stated, flexibility in implementation, tied to a community's needs and characteristics, is of crucial importance. People are so poor, with such limited access to resources, that they are unable to respond to opportunities that are not presented in a reasonable sequence, starting with their most pressing needs.

This implies flexibility with respect to addressing a particular district's needs and to the choice and scale of interventions introduced. Implementation mechanisms must themselves be flexible, especially in terms of drawing on multiple funding sources.

It will also be important to strike a balance between prescriptive and collaborative approaches in working with communities, understanding that at the outset the former can be as important as the latter. It is not that the communities lack motivation or common sense. What they do often lack is information and know-how, which must be provided and developed.

These issues are critical to consideration of the scaling up of existing community-based programs as well as the launching of new ones. Scaling up is not a matter of simply providing more resources to do more of the same. To suggest an analogy: mending a small tear in a handkerchief takes but a few stitches; repairing a rip in a sail requires dealing with stresses of far greater magnitude and complexity.

Education

Few appear to doubt that Zambia's public education policy and its education structures need serious overhaul. It is a daunting task on which the MOE is taking some restructuring and decentralization steps with the strong backing of donors. Meanwhile USAID/ Zambia has evolved a realistic approach that amounts to taking on interesting targets of opportunity available

for useful intervention within the GRZ's basket of program priorities. The resulting activities fit squarely within BESSIP, the Ministry of Education's sub-sector program for promoting primary education in Zambia, now defined as grades 1-9, although the USAID funding for them is managed project by project rather than being included in a multi-donor funding basket.

A number of useful lessons can be drawn from the USAID/Zambia education experience in recent years. Some broad ones are:

- There's nothing necessarily wrong with a found strategy
- Good targets of opportunity, yielding strategic results, may be available even within an unsatisfactory general context
- Retention of girl students in school is a bigger issue than access for girl students to school
- Picking up funding for another's program is not likely to move USAID/Zambia far toward its own strategic objective, especially if data or measurement tools are lacking for the activity
- Food security and hunger need to be recognized by USAID as serious threats to any investment being channeled into the basic education SO. In some places, attendance in certain rural schools has been estimated to drop to as low as one-fifth or even one-tenth of enrollment at times, because children are too hungry to come to school.

The USAID education activities are important and popular. They appear effective and well-run at this stage. Any of them could face a problem arising from success, namely the pressure to spread them more quickly than they can be effectively implemented or managed. This danger is already apparent in radio instruction, where two additional grades of broadcasts are now being launched per year without passing through a pilot phase. That the Ministry should wish to advance rapidly with a popular service is easy to understand. But if the service should falter under the weight of too hurried an expansion, radio instruction itself could end up the victim. Maintaining quality ought to come first. Parallel lessons arise from the educational management information system, school health and nutrition in Eastern Province, and gender mainstreaming in Southern Province.

Chapter 5 - Proposals for USAID's Next Country Strategy

This chapter presents the thematic and sector development hypotheses as well as recommended interventions and strategic options that USAID/Zambia might consider including in its new country strategy plan. In pulling together these ideas, the consulting team guided its work by reference to USAID's four pillars that set the framework for the activities the agency is currently able to support. Another key criterion was the team's perceptions of those development subjects that attract or are likely to attract the greatest interest and willingness from the GRZ. Comparative advantages that the United States and USAID may hold were also taken into account, along with the interests and competence of the private sector, non-government organizations and other donors.

Thematic and Sector Development Hypotheses

From the great themes of governance, the lack of food security and HIV/AIDS set forth at the outset of this paper down through the key development challenges set forth later, we draw corresponding thematic and sector hypotheses that ought to guide USAID/Zambia's choices as it prepares a strategy for the coming plan period to begin in 2003.

One of these hypotheses is that **the practice of good governance principles is essential to development progress**. We believe further that a donor can itself help to encourage better governance in Zambia by practicing these principles in its program. In fact, throughout its work across various strategic objectives, USAID/Zambia employs sound principles of governance as it engages partners and stakeholders from the rural and urban communities it is aiming to benefit right up to government ministers. Not only is this approach important, it puts on display numerous practical examples of good governance that may influence others. We urge that the broad governance approach be recognized and given intellectual prominence for the importance it represents in every Mission endeavor, for it is an essential element of USAID/ Zambia's effort to deal with one of the country's overriding development themes. Certainly it is not enough by itself: stressing governance in more than one way, at more than one level, is vital to helping Zambia meet its development challenge to achieve clean, effective government.

Another avenue is the specific Democracy - Governance activity undertaken within the SO 4 portfolio. Those recent programs have emphasized the mobilizing of civil society to achieve governance ends. As that important effort continues, the Mission should also seek ways to engage Zambia's new government on the grand tasks of institutional change, for instance constitutional reform. We believe further that neither the effect nor the importance of Democracy - Governance work should be measured and assessed by its cost, which is likely to remain low relative to that for other SOs.

Evidence exists of widespread, chronic hunger and malnutrition among many Zambians -- of an order and frequency that cause poverty as well as exemplifying it. The hypothesis here is that **economic growth will bring about an improvement of food security and a reduction of poverty**. Economic growth means reviving Zambia's agriculture and related industry through effectively applying the enterprise of the people to available resources so as to efficiently meet the demands of accessible domestic and export markets with competitive production. The new focus of USAID's anti-hunger and anti-poverty interventions, therefore, should be to kindle the flame of efficient commercial enterprise in market-oriented production. In agriculture this implies promoting increased and sustainable yields of commodities tailored to market demand, at competitive prices, with value added at source. In small-scale industry and natural resources it implies stimulating entrepreneurial enterprise in detecting opportunities to efficiently provide goods and services to meet demand by sustainable application of available resources. And nationally it implies creating a favorable socio-political context for fluid conduct of commercial activity in a system where accountability and probity are securely enshrined by effective implementation of legal provisions.

All of Zambia's development undertakings risk being swept away by HIV/AIDS. It is our third hypothesis that **only a concerted, intense, far-reaching mass effort can turn the tide against the virus and save coming generations**. It is imperative -- indeed, it is obvious -- that all development partners must accelerate their cooperation with the people and government of Zambia to reduce HIV/AIDS prevalence. This can be done: Uganda has shown the way. Early signs are appearing of what may be the first evidence of rate reductions in Zambia. We find further that a multi-sector approach (MSA) to the epidemic offers the best prospect of making rapid, concrete progress -- not only for prevention but also to respond to the many far-ranging effects of HIV/AIDS on households, social relationships, sectors and institutions. Therefore, we urge USAID/Zambia to strengthen, upgrade and accelerate its MSA against HIV/AIDS in the coming strategy plan, along the lines suggested in this document. We urge the participation of all SO teams in this fight, in a well-constructed all-out attack on this pandemic and its wake.

Our fourth hypothesis is that **USAID/Zambia can improve achievement of its objectives across the board -- and those of the GRZ and Zambian people -- by adopting a systematic approach to gender-related constraints and opportunities**. Because women play a key role in development activities founded on the previous hypotheses, major benefits can be realized by mainstreaming gender throughout USAID's program development, activity design and implementation. For example, including gender analysis within sector assessments will reveal and articulate some gender-based impediments and opportunities. Similarly, incorporating mechanisms for tracking and measuring gender-related impacts in USAID's performance monitoring plan will enable USAID/Zambia to capture and build on unanticipated successes, while catching and correcting missed opportunities and unintended negative impacts. For program and project design, participatory processes specific to gender may offer insights for more inclusive and effective activities. Project results will be enhanced through purposeful mechanisms to overcome gender-related obstacles.

Recommended Interventions

Governance

Prior to presenting the recommended interventions in the area of governance, it is important to present key assumptions made. They are as follows:

- The ‘New Deal leadership’ will continue to actively pursue a reform agenda, and will be able to marshal the political support to do so;
- In-fighting within the MMD will not derail reform efforts;³³
- Opportunities for active engagement between civil society and government on reform issues will continue to evolve;
- Past experience with political manipulation under the Chiluba regime will reinforce scrutiny of government actions and sustain pressure for accountable governance;

Support for Constitutional Reform

Zambia urgently requires an overhaul of its current constitution to ensure that the rule of law replaces rule of man. Fundamental to sustainable human development is the emergence of a new political order, which guarantees a greater separation and balance powers between branches of government, and is legitimized through broadly participatory processes. While constitutional reform may be essential, more focused initiatives to increase government transparency, protect media freedom, reform parliament and the electoral process, and promote decentralization will also contribute to systemic change. It is extremely important that Zambia under the New Deal Government should revisit the 1991 ideals: to increase government accountability and transparency through watchdog agencies, to protect media freedom, to reform parliament and the electoral process; and to institute law reforms to promote decentralization and to contribute to sustainable human development.³⁴

While continuing support for demand-side efforts, support should be expanded to take advantage of supply-side opportunities

In the course of carrying out this contextual study, there has been unanimity on the part of stakeholders that USAID/Zambia’s emphasis on “demand-side” efforts to support democratic consolidation remains highly relevant. Such support should continue, though assistance should be productively expanded. At the same time, opportunities exist at present which did not in 1997: civil society is engaged and increasingly assertive in pressing for political reform and

³³ President Mwanawasa recently announced that his government had uncovered a coup plot being hatched by a faction within the MMD that is uncomfortable with his commitment to Good Governance.

³⁴ Tucker, Stevens P. et al. 2002. Concept Paper Outline: Democracy and Governance Strategic Objective. Lusaka, Zambia. (June): p. 3.

renewed anti-corruption efforts; a significant (if not entirely stable) opposition majority in parliament offers civil society an unprecedented point of entry to the policy process;

Considerable uncertainty remains regarding the depth of government commitment to the serious structural reforms that are key to the resumption of Zambia's stalled democratic transition. Consequently, it may be useful to adopt a phased and selective approach to engagement with government entities, while actively maintaining and broadening programs designed to support "demand-driven" reform through work with Zambian civil society organizations. CSO support should remain the primary vehicle, but with added emphasis on the development or strengthening of mechanisms that link civil society organizations to the policy process, probably around specific reform agendas. Demand-driven reform efforts appear likely to succeed more easily where key government stakeholders can be involved or brought along with the identification of needs, the articulation of problems and the identification of solutions. To the extent that these tasks can be addressed in a broadly participatory manner, an added benefit may be to break down the culture of "government by command."³⁵

Support CSO capacity strengthening

In order to increase the efficacy of CSO interface with government institutions, programming should be extended to include support for CSO capacity strengthening in key areas including analytic and policy research capacity, and understanding of the policy and legislative processes. In parallel, efforts to support forums for interface between CSO and selected government institutions on key policy issues such as constitutional review, parliamentary reform, etc. should be explored. CSO strengthening will also improve communities' ability to engage with government to determine priorities and resource allocations with regard to HIV/AIDS.

Support capacity building of opposition parties

Zambian political parties remain weak and poorly defined, but their development over the medium term is essential to the consolidation of electoral democracy. Most parties lack internal democracy and exhibit intolerance to criticism and dissent. The lack of internal democracy in opposition parties has been a source of weakness. Party conventions often do little but confirm the party patrons in office. Manipulations of constitutional rules or selective application of disciplinary procedures have been used to suspend and sometimes expel political opponents. The absence of internal democracy has serious implications on the realization of democracy in the country.³⁶ USAID could therefore explore with other donors the wisdom and practicalities of equipping opposition parties with the physical, human and financial capacities to enable them to play a meaningful role in representing social interests and holding the Government accountable.

³⁵ See Tucker, Stevens P. et al. 2002. "Concept Paper Outline", *Op.cit.*

³⁶ Mulikita, N M. 2002. "Political Parties and the Unfinished Quest for Democratic Governance in Zambia." Paper presented to the *ISS/OSSREA Workshop on the Sustainability of African Political Parties*, Addis-Ababa, Ethiopia, May 6-10, 2002.

Food Security

*Agriculture*³⁷

Expanded support of outgrower schemes

The most effective arena for “hot-housing” pro-poor development against hunger is outgrower schemes, where inputs are provided with extension messages, and there is an incentive for the company to improve output of growers.³⁸ The synergies that emerge from linking commercial economies of scale and expertise with small-scale crop management may help to achieve international competitive advantage. While outgrower schemes may not be the panacea for development, they can make a significant impact on income generation opportunities, foreign exchange earnings, skills acquisition, and, notably, household and national food security. This comprehensive contribution to alleviation of poverty merits full support, and their development and wider distribution will bring benefits to many thousands of households. More added advantages of outgrower schemes’ activities and the networks that they create is that they can provide a vehicle to deliver benefits to the health and education sectors and the income they generate has a multiplier effect can thus have a significant impact on the wider community.

Further, outgrower schemes established on the basis of cash crop production also promote production of staple food crops to provide for household food security. Catering for the input needs of the food crop at the same time as the cash crop ensures that there will be no transfer of inputs from the cash crop to the food crop. As the scheme develops, the subsistence food crop can be grown to exceed household needs and yield a saleable surplus for cash, which could contribute in large measure to the national food security needs. The feasibility of recovering credit for staple food crops in outgrower schemes is dependent on the cash crop as a link to the scheme management, which constitutes a uniquely secure arrangement for input supply. It is this dual function of outgrower schemes that adds to the justification for support to commercial enterprises engaged in cash cropping. In all cases, efforts should be made to protect the food security results from the impact of HIV/AIDS by early and realistic strategy development and program design.

Support for re-establishment of farmers

Poverty in urban areas often falls on those who have been involved in agriculture and carry useful skills and experience but have been unable to continue due to misfortune with their operations. In many cases they may be competent farmers whose resource base has been too

³⁷ See Annex 14 for a more extensive list of recommended interventions for USAID/Zambia in agriculture.

³⁸ Concentrations of growers with a common link to a company provide convenient means of disseminating messages of all kinds. Thus, training in appropriate farming techniques including Conservation Farming Systems, crop-diversification advice, health awareness, and awareness of environmental issues can all be more readily distributed.

precarious to withstand the shocks to agricultural production that are beyond their control. Hence, there are candidates who would prefer to be occupied in agriculture but are unable to do so because their cattle have died because of the collapse of the dipping services under government management or they may have suffered irrecoverable loss from drought but would otherwise have continued. Such potential farmers do not have the resources to seek out new opportunities or to recover or improve upon their former status, but they are a potential asset to the economy.

These candidates could be assisted in joining outgrower schemes where their production and marketing needs would be met. A provision for their transport and a “starter pack” of resources may well be all that is required to convert a poor and frustrated peri-urban dweller into a productive contributor to the economy³⁹. The criteria for selection of candidates and the conditions attached to assistance would clearly need careful consideration.

The scope of support to outgrower schemes to be provided by USAID projects can include:

- support to research into markets, trade environments, policy issues, and specific agronomic questions;
- promotion of public-private dialogue and development of lobbying skills for organizations that represent farmers interests;
- business management skills training, which includes HIV/AIDS awareness messages and information regarding how to plan for and deal with the impact of HIV/AIDS;
- seasonal working capital funds and development finance;
- infrastructure development including roads, ITC development, and irrigation facilities;
- farmer-group/cluster formation and training with the aim of hiving off from the tutelage of the parent scheme and generating independent capabilities; and
- farmer resettlement/translocation for people wishing to return to farming.

Water harvesting

Zambia’s mono-modal rainy season provides opportunities for water harvesting, for recession planting (where crops are planted on the banks of receding lakes and rivers), and for production of crops under cloudless skies during the dry season through irrigation. Water harvesting provides opportunities not only for irrigation and recession planting, but also for aquaculture to supplement protein availability. However, the ratio of compounded cubic meters of water to hectare of irrigable land is very low in Zambia compared to countries to the south because the infrastructure has not been installed.

There are innumerable sites that are suitable for water harvesting in water-courses and dambos by construction of ponds, weirs and dams on both small and large scale that would contribute to irrigation, and aquaculture capacity as well as livestock carrying capacity and conservation of riverine vegetation. Well-constructed dams would also contribute to erosion control and amelioration of floods. Useful installations, including distribution furrows, can be constructed

³⁹ The starter pack would include training on production, business management, entrepreneurial activity, health and HIV/AIDS. It could also include various combinations of equipment, inputs and livestock, a business plan with targets for development and repayments and coping strategy for risk avoidance.

by hand, with ox-drawn implements or by mechanical implements. The larger they are the more important it is to ensure that they comply with engineering standards and that they remain properly maintained from year to year, otherwise the cascade effect of failed dams can devastate farmland, roadworks and lives.⁴⁰

Innovations in the technology and management of pumping in the Zambian smallholder sector have been sorely limited and confined to the treadle pump. Even the ubiquitous *shaduf* of Northern Africa has not become established here despite widespread applicability. There is scope to increase the distribution of the treadle pump and to manage its use by division of labor such that one pump could be used by its owner to fill a series of tanks within close proximity under contract. This principle, extended on a larger scale could justify the use of a petrol-driven pump by an experienced operator who had sufficient training to manage his business and his equipment. Other developments of simple, inexpensive water distribution systems have been made with small-scale farmers in mind that reduce labor input and help to make distribution and applications efficient.⁴¹

Ultimately, irrigation can have a major impact on the income and food security of farmers when capacity is properly installed and used, but those who have not been instructed in its efficient use frequently misapply it. More information should thus be available to reduce over-watering, while ensuring that the root-zones are sufficiently supplied.

Strategic Options for Natural Resource Management

The focus of attention should be conservation of wildlife and forests for income generation for Zambians from tourism and wildlife and forest products. The resources are deteriorating rapidly under a myopic regime of enrichment for the present time without regard to future generations – a consequence perhaps of truncated life expectancy due to HIV/AIDS and the prevalence of other diseases and of poverty.

The issues therefore are not simply of management of resources but of enhancing perceptions and maturing attitudes. This makes community based natural resource management (CBNRM) a crosscutting issue revolving around care of the environment where awareness of the issues is to be generated in the context of income generation through managed exploitation.

To this end, the experience and influence of USAID should be applied directly towards CBNRM projects, but also secured within the management systems of USAID as a subject for multi-sector approach in which the interests of rural communities are viewed in the light of the resources that they live by as well as their immediate humanitarian needs. Special attention should be focused

⁴⁰ The engineering requirements for Zambia have been well established and tested, but the guides to construction are not readily available and many haphazard attempts at dam building have been made with disastrous results due to lack of proper guidance. Therefore, promotion of water harvesting, and indeed drainage, should be accompanied by ample availability of professional advice.

⁴¹ For example, such irrigation systems depend on filling a tank with a lift pump to gravity feed to the distribution system or simply attaching directly to a pressurized supply fed by a pump. The distribution is a simple plastic hose drilled at frequent intervals to feed directly onto the planting stations. It is not a drip line since it has larger holes and requires lower pressure, but delivers faster.

on creating a baseline study of forest resources and on promotion of tree planting in many different ways. These would include household food security enhancement through fruit tree planting, wood lot establishment for firewood, timber and ground cover to forest enrichment with indigenous hardwoods and timber plantations for building materials. Investments in labor for such programs would make much needed contributions to rural incomes and create assets for future generations while contributing to environmental enhancement.

Assistance to reinforcing the legal framework and law enforcement in the exploitation of natural resources is also needed if CBNRM is to be rewarding to the stakeholders. Therefore, training of police and customs and promotion of awareness campaigns on natural resource management would bring benefits to the local communities and help to mature a culture of dialogue and involvement at all levels of society.

Adding value to forest products can also bring benefits to communities at a time that income is needed most. Therefore, projects to improve the quality of crafts and ensure sustainable production would serve to increase incomes while also ensuring greater returns to time and the raw materials employed. The financial return per unit of raw material could be greatly increased if some training were to be applied to improve the quality of crafts.

Finally, after looking at the current policy scenario in Zambia in the energy sector, it is evident that rural energy programs and policies are currently being designed at the national level without broad-based participation of local people. There is need to adopt a comprehensive rural electrification strategy that goes well beyond the provision of fiscal incentives and domination by the government to include the promotion of public-private projects and foreign and domestic investor partnerships. These public-private partnerships (PPP) would take advantage of the energies and competencies of the various stakeholders in the interest of energy supply improvements. Similarly, there should be a clear effort to exploit economies of scale that can be realized through adopting regional approaches to rural electrification.

Trade and Investment

Facilitating an enabling environment for trade and investment

As a way of facilitating an enabling environment for trade and investment, USAID should look at the creation of opportunities for increasing business competitiveness through structural and institutional reforms. By way of strategy, this could be attained through the incorporation of trade into Zambia's strategic options. Under the PRSP, the external trade component of agricultural growth has come out quite prominently and USAID could take advantage of this push for further structural and institutional reforms towards the consolidation of this area. USAID support could come in the form of strategic analyses/studies that help to inform both government and the private sector operators of the virtues of trade as a catalytic element for enhanced investment.

The legislative and regulatory regime in Zambia needs to be further developed given the existence of unsupportive trade and investment legislation. In this regard, USAID should consider support for legislative reforms by extending assistance to, for example, the Zambia Law Development Commission to enable it to undertake trade- and investment-related reforms studies. Equipping the Zambia Competition Commission (ZCC) with the requisite skills for legislative enforcement in areas that enhance competition is another area that would benefit from USAID/Zambia's support.

Systemic/strategic issues ought to be taken into account to maximize the benefits derived from USAID/Zambia activities. More fundamentally, USAID/Zambia needs to focus on reforms with the greatest potential impact on growth and poverty reduction and in line with the PRSP. Priority needs to be accorded to the enhancement of the investment climate that promotes diversification (including infrastructure and energy development) and the scaling-up of the response to HIV/AIDS. Similarly, to the extent that USAID/Zambia's interventions have been sufficiently linked to implementation of relevant sector reforms, the Mission should seriously re-examine its position on SWAs in the light of the other donors' experiences and the country's preferred options. Generally, it seems prudent to link USAID/Zambia interventions explicitly to sector strategy development and the existing policy objectives of the Zambian government. If and when a SWAp is found to be feasible, greater emphasis should be placed on (a) institutional development to strengthen the government's policy making and implementation capacity; and (b) improved expenditure management and accountability. It is in the interest of USAID/Zambia vis-à-vis the effectiveness of its interventions to support national planning capacity, particularly on such cross-sector issues as HIV/AIDS and the environment.

Finally, given the importance of economic diversification for the Zambian economy, there is an urgent need to explore the opportunities for moving away from the high dependence on copper mining. Focus should shift to the promotion of those sectors with the highest growth potential, targeting both domestic and external markets. For medium- to large-scale producers, this may entail the government taking a decisive action on the Export Processing Zone (EPZ) initiative, focusing primarily on carefully selected areas that provide comparative advantage with respect to resource endowment (both physical and human) and the level of need/poverty. The diversification of the Copperbelt along these lines, for example, is evidently overdue, especially when considered against the backdrop of the current major crisis in the mining sector following the impending withdrawal of Anglo American Corporation. The proposal (from the June 2002 workshop on 'Deepening Economic Diversification in Zambia) to establish a Copperbelt Diversification Authority that could work towards carrying out these ideas is commendable, and USAID ought to pursue some of the proposals agreed upon. Detailed investigations/studies on how to go about this are particularly recommended.

Support to the growth of regional and international trade through market and capacity development

Zambia has suffered immensely from poor marketing of its investment and trading opportunities. Support to the growth of regional and international trade through market development is an important optimal impact area. Capacity development is required in this regard for the Zambia Investment Center and the Export Board of Zambia. Government officials and the business

community's limited knowledge regarding regional trade and investment opportunities for Zambia under CBI, SADC, COMESA, the 2000 ACP-EU Partnership Agreement (the Cotonou Agreement), and AGOA calls for support towards the creation of a Trade and Investment Forum. Additionally, the commissioning of studies that help to de-mystify these structures and initiatives and thus maximize the benefits Zambia would derive from them is recommended.

Private Sector Development

Promote employment generation via SMMEs

SMMEs are a major generator of employment and as such are important triggers of economic growth and equitable development. Consequently, USAID/Zambia should target SMMEs with the potential for growth and employment generation for support. While in the past USAID/Zambia has focused on rural non-farm enterprises (RNFEs), it is suggested that this support be extended to include targeted urban and peri-urban areas. Although RNFEs should still remain the focus of interventions, extending support to urban and peri-urban areas is becoming increasingly important given that almost 50 percent of Zambians live in urban and peri-urban areas and unlike rural areas where poverty is decreasing; poverty in urban areas is increasing.⁴²

The type of support for SMMEs that is extended should build on USAID's experience in the area of business development services. In particular, there should be a focus on developing business skills through business linkage programs. As USAID/Zambia has built a strong relationship with the only peak private sector institution representing small business interests, namely the Zambian Chamber of Small and Medium Business Associations (ZCSMBA) as well as the local District Business Associations (DBA), USAID/Zambia should consider channeling the business development services through these institutions. In so doing, their capacity to offer such services on a self-sustaining basis will be strengthened.

Additionally, as marketing represents one of the biggest constraints to the success of SMMEs support in this area should be forthcoming.⁴³ Finally, in order for SMMEs to reach their full potential they need have access to affordable capital. This is another area that warrants USAID/Zambia's support (see Annex 14).

Increase Competitiveness of SMMEs and Agribusiness

One important way in which competitiveness can be raised is through the promotion of clusters. Growing evidence from both the developed and developing world suggests that clustering helps small and medium size businesses increase their competitiveness (UNIDO 1995:I). Indeed, clusters have proven to be successful in such countries as Guatemala, Argentina, Brazil, Mexico, Morocco and Costa Rica. Thus, in addition to contributing to employment generation, SMMEs

⁴² Another reason why support for targeted peri-urban and urban SMMEs is important is because all indications are that in the EU's upcoming Country Strategic Plan for 2004, the Private Sector Development Programme (PSDP) will no longer provide support for SMEs in these areas. Instead, PSDP will extend support to capacity building with the aim of promoting a public-private dialogue. Consequently, there will be a need for extension of support to SMMEs in these areas.

⁴³ See Annex 14 for proposals for more specific recommended interventions in the area of marketing.

may also be used as a vehicle to increase competitiveness. Indeed, many of the problems that plague SMMEs such as their inability to capture market opportunities that require large production quantities and regular supply and their difficulty in achieving economies of scale in the purchase of inputs can be overcome by clustering. SMMEs are able to overcome these obstacles because of the external economies that arise from the combination of sectoral and geographical concentration and the possibility of joint action. In particular, clustering promotes the emergence of backward and forward linkages and cooperation between SMMEs that allow them to take advantage of economies of scale and scope.

Experience has shown that competitive advantage is created in industries and/or sectors and not in economies as a whole. Consequently, USAID should concentrate on developing clusters in targeted growth-oriented sectors such as value-added agribusiness processing. Given USAID's experience supporting non-farm rural enterprises and SMMEs it possesses a comparative advantage in the area of SMME promotion. In addition, an intervention that promotes SMME clusters of value-added processing in the agribusiness sub-sector would complement the activities of USAID/Zambia in the agriculture sector and also correspond with the GRZ's desire to promote value-added processing in the agribusiness sub-sector.

This cluster concept could be applied in the small-scale, predominantly agrarian communities. Indeed, the cluster approach could, as a first step, take advantage of areas around the outgrower schemes. The argument here is that once the income levels of the small-scale farmers within an outgrower arrangement are enhanced, they should be in a better position to venture into agriculture and non-agriculture small-scale value-adding processing activities that should, gradually, wean them off the large scale commercial partner under the outgrower arrangement. In essence, this would mean that not only would their income levels improve (an important development for poverty reduction) but also that they would create opportunities for other entrepreneurs to move in as new niches upstream and downstream emerge around a given locality and economic activity.

In order to increase competitiveness, attention must be paid to dependability of supply and the quality of the product.⁴⁴ Clustering, as it provides for cooperation between producers, helps to alleviate the problem that SMMEs face in the area of dependable supply. However, clustering does not address the critical issue of quality. Indeed, a recent study by ZAMTIE has indicated that achieving a level of quality demanded by export markets is essential to success. Consequently, if clustering is to be promoted attention must be paid to issues of achieving quality standards as dictated by the export market.

The role of USAID in providing the requisite support services (e.g. affordable credit, training, technical assistance, and technology) under the above arrangement could help in this effort. It is evidently a promising approach that deserves to be further studied and/or piloted to better appreciate its full opportunities and challenges.

⁴⁴ ZAMTIE. 2002. "Zambian Export Products Research Study to Assess USA AGOA Import Regulatory Requirements." A report prepared for USAID/Zambia. (April).

HIV/AIDS and Health

HIV/AIDS

A multi-sector response, designed within the context of a special objective (SpO) for HIV/AIDS, offers a viable way to bring focus and flexibility to USAID's programming. Given the multiple dimensions of the HIV/AIDS pandemic—from its impetus in socioeconomic inequalities and impoverishment, to its undermining of the means for broad-based development, to its impact on whole communities—the only viable response is a multi-sector approach. In this context, multi-sectoral means identifying areas of overlap between sectors and pursuing them to achieve or strengthen synergies. It also means taking a critical perspective of policies, programs, and projects within individual sectors and testing these against known or likely HIV/AIDS risk and risk reduction factors. This approach is a logical, effective way to examine the multiple dimensions of the pandemic and to understand how activities in one sector can inadvertently increase the risk of the disease -- or can be adapted so as to offer productive opportunities to counter it.

Initiating a multi-sector approach (MSA) to HIV/AIDS is likely to require some training for USAID/Zambia and Implementing Agency staff in the nature and perspective of an MSA and its program applications. At an early stage in the programming process, the Mission should introduce such training to relevant staff. Training will help Mission staff and IAs gain an appreciation of the analytical value of the multi-sector approach by showing how to look across a variety of sectors, analyzing them to discern the implications of proposed activities for raising or reducing the risk of contracting HIV/AIDS or mitigating its impact. Further, the training should comprise how to make the MSA operational within specific projects or activities. For example, an initiative to build capacity in organizations to advocate greater gender sensitivity and equity -- a governance function -- can be linked directly to HIV/AIDS prevention by including specific activities such as teaching girls their rights to non-harassment in school or improving the skill of young women in communicating with partners about safe sex. An MSA training program that proves its effectiveness will be an asset the Mission may want to share with other USAIDs.

The advantages of a separate SpO include that it:

- 1) Provides a working conceptual framework that treats HIV/AIDS as both a health and a socio-economic issue
- 2) Creates indicators that measure results from several activities and sectors, all with respect to core targets
- 3) Provides the flexibility to engage all aspects of USAID's portfolio in HIV/AIDS analysis and, as appropriate, program design
- 4) Fits the HIV/AIDS program more closely with the daily reality of households, communities and other institutions affected by the disease
- 5) Better addresses the long-term realities of HIV/AIDS on institutions, economic opportunities, societies and the next generation

- 6) Strengthens existing and new synergies between sectors and IRs.

The disadvantages must be acknowledged:

- 1) New learning on the part of staff and IAs will be required to understand and operate with and within a multi-sector framework.
- 2) Indicators must be tested to assure they produce measurable results without disguising important but non-measurable outcomes.
- 3) A re-organization of internal USAID/Zambia units and processes may be needed, requiring leadership, rethinking and some reorganizing of functions; resistance to such change may occur

The creation by USAID/Zambia of a special objective (SpO) on HIV/AIDS offers the best way to expand the response to the pandemic. Within that context, a multi-sector approach to HIV/AIDS will have staffing and organizational implications. The team should be drawn from a range of technical backgrounds, including but not limited to SO3. These different perspectives will be essential to deal with the wide range of issues and programming requirements around HIV/AIDS. Among the options for staffing an SpO for HIV/AIDS are

- a) Assigning one present staff member from each current SO to the new SpO
- b) Hiring new staff with backgrounds such as economic growth, education, health-HIV/AIDS and governance to staff the SpO
- c) Hiring new or assigning present staff whose experiences combine HIV/AIDS, gender, rural development and community development issues
- d) Maintaining the current structure with a focal point person for HIV/AIDS who can draw upon as much as 40% of the time of staff working on other SOs

Option a) is recommended provided staffing and funding patterns follow similar courses. It would provide the level of attention and staffing required to plan and launch an effective major multi-sector initiative. Each staff member would be responsible to a “home” SO to lead investigations into the impact of HIV/AIDS on that sector and its program, to reexamine the sector priorities and programs based on the new information, and to identify any areas where the sector’s program may actually increase risks of HIV/AIDS. In addition, the entire SpO team would determine the highest overall HIV/AIDS priorities, then engage all sectors in the design and management of the program. With a good deal of new money becoming available, this approach might be combined with option b).

Opportunities for re-shaping and expanding USAID/Zambia’s HIV/AIDS programs are numerous. Here, five broad areas of program initiatives are proposed.

Community-directed responses. The foremost intervention opportunity in an effective multi-sector approach to HIV/AIDS is the existing intersection of communities focus on the developmental aspects of the pandemic and USAID/Zambia’s own program focus on community mobilization, seen in the programs of several sub-contractors. Zambia has one of the most experienced and cohesive community mobilization programs on the continent—found at

Chikankata. Its influence extends to other NGOs and to government. Other USAID supported programs are finding similar responses with the communities with which they work. The SCOPE project is one example and its approach has generated some effective problem-solving responses in select areas. However, SCOPE has been operating for too short a time to fully know if its approach can stimulate sustained community-directed responses to addressing the needs of orphaned and vulnerable children.

Clearly, not all programs can or should be modeled on the Chikankata experience. The process that staff of Chikankata's Home Based Care teams and community groups went through takes time. Centrally-designed concepts and approaches need to be flexible and be prepared to be changed as local realities and participation may offer different ideas. Such flexibility can be achieved by adopting a multi-stage (or sequential) timetable (contacts, problem identification, problem solving options, resources identification and mobilization, implementation, absorbing new learning, building capacity to go in new directions...). Community initiatives can evolve on their own. Chikankata and other outside groups have found that it is appropriate to facilitate the processes, but not control it. One distinctive feature of the Chikankata approach is that it expects existing specialists (whether agricultural, marketing, health, or education) to apply their skills and use their positions to contribute to an overall set of actions. As an approach to facilitating multi-sector responses to HIV/AIDS and strengthening rural and urban groups, the Chikankata model offers many insights and much value.

The Chikankata experience is quite well known and the staff there provide training in their approach to other organizations. What is still needed in Zambia is a coherent analysis of other community-based responses to HIV/AIDS and a wider demonstration of how local communities can identify and generate responses to problems.

Male sexual attitudes and behavior. A major gap in Zambia's overall response to HIV/AIDS can be filled by directly and explicitly addressing the contribution of male social attitudes and sexual behavior toward girls and women. Sexual manipulation based on disparities in wealth, sexual coercion and violence based on accepted rights and norms of behavior, and sexual exploitation based on disparities in physical and political power—all contribute to vulnerability of women and the transmission of HIV/AIDS.

As a part of a multi-sector response to HIV/AIDS, there are opportunities to alter these attitudes and behaviors through existing prevention programs and in the media through community-based initiatives, within the workplace, and by faith-based groups. It is a question of changing social norms and the economic and political structures that sustain those norms. Some cultural and social manifestations of male privilege have been absorbed into the norms of women, and changes will be necessary for them as well. Of course, not all men are involved in sexual risk provoking, but no matter how many, it is the girls and women who suffer because male-dominated beliefs and institutions permit such behavior.

Thus, a next step for Zambian policy makers and program planners is to develop strategies for:

- altering male sexual attitudes and the social norms and institutions that sanction exploitative sexual behavior;
- creating greater public attention to those attitudes and male sexual behaviors;
- strengthening enforcement mechanisms against men and women who sexually abuse girls and boys;
- strengthening the awareness of children to their rights not to be sexually abused.
- implementing existing laws and policies protecting women from physical and sexual abuse.

For USAID, this can mean building upon and disseminating the effective experiences of the CHANGES project in addressing social attitudes of villages and school children, expanding and re-focusing media initiatives, giving greater emphasis to promoting changes in social norms, expanding ZIHP and other programs to stress more directly and clearly the critical role of shaping male sexual attitudes, assuring that workplace programs include discussions about sexual norms and responsible (and irresponsible) sexual behaviors, and within the schools, expanding discussion about the rights of girls and the responsibilities of boys, expanding discussions and actions by faith-based groups to address cultural structures of sexual exploitation.

Linking Communities to Incomes: Micro-credit/finance projects are a part of several USAID and other donor initiatives. There is little information upon which to assess their broad and sustained impact in reducing poverty, alleviating hunger, or altering the context of risk for HIV/AIDS. A good number of micro-credit initiatives connected to HIV/AIDS programs are targeted toward individual borrowers, such as women affected by HIV/AIDS. Others take a group approach. For the most part, however, these initiatives are not designed in ways to stimulate community-based job creation. However, some creative planning and facilitation can be applied to blend small-scale financing in communities with local mobilization and problem-solving. Small loans, managed by communities for their identified needs, can create jobs, build and re-build local infrastructure, and give hope to young people who see little future for themselves in present-day Zambian society.

Zambia's economy has been depressed for decades and most of its people have lived in economic and social crisis for as long. Yet there remains a desire to find solutions to problems and to apply limited available resources to those solutions. Loans to communities for job creation offers one option for taking advantage of people's determination for change and self-reliance. Skills, jobs, income, a sense of worth—all contribute to an enabling environment for change.

Collaboration with other donor agencies, such as the ILO, which has extensive experience in job creation, will be essential to shape an effective approach.

Another approach to incomes and jobs is skill building through local infrastructure development. The variety of skills and resources that communities self-identify (through local mobilization), the willingness of communities to invest those resources in projects that serve their needs, and

the need for maintenance of existing infrastructure can merge by offering young people with opportunities to learn new skills contributing to more viable communities.

A final aspect of jobs and incomes in the context of HIV/AIDS is putting in place mechanisms that will assist government planners and human resource staff to deal with HIV infected employees, the loss of such employees, and the training of new employees to assure that government agencies are able to do the work expected of them. Multiple examples of the costs due to gaps in the civil services are evident: the absence of a customs inspector slows down the clearance of goods required by a business; the loss of teachers disrupts learning in the classroom; and the increase of death benefits raises costs to employers. One of the main tasks of future HIV/AIDS in the workplace actions will be to assess the impact of the pandemic on the civil service and assist in identifying viable options to minimize the future impact.

Civil Society advocacy and oversight. Although Zambia does not have a long history of advocacy by civil society organizations, the growth in the number and experiences of NGOs and the more open political atmosphere of recent years do offer opportunities for expanding advocacy. A number of NGOs have indicated they would like to expand their advocacy functions but usually lack the experience and staff to do so, or do so effectively. Further, NGOs lack a common meeting ground for formulating, prioritizing issues and directing an advocacy strategy.

Likewise, the business community has only recently organized to tackle HIV/AIDS issues. It is not yet apparent that business coalitions are prepared to play a more active role in stimulating public sector involvement in HIV/AIDS prevention and care, job creation initiatives for youth, and other issues related to HIV/AIDS (e.g., tax advantages for companies with active prevention and care programs).

Advocacy and oversight play a critical role at this point in Zambia. Greater, not less, public involvement at all levels in HIV/AIDS prevention, care and mitigation is important. Up to now, government has largely defined its role as facilitator of programs. As important as that role is, it also implies in practice an abdication of the role of providing for the welfare of citizens. Provision of educational, health and welfare services—including income and service assistance for households severely affected by HIV/AIDS—remains a responsibility of government authorities, even more so in times of crisis. Some of what is lacking can be promoted by building the capacity of civil society groups to (a) provide relevant research findings and program experiences to government and peer organizations, (b) make credible input into policy and program formulation and (c) provide oversight of policy and program implementation.

Treatments and Care

Three issues stand out under the topic of treatment and care: provision of and access to palliative drugs and commodities for people with AIDS and their caregivers; the equitable provision of anti-retroviral (ARV) drug treatments; and the use of volunteers in home-based care and with affected families.

In the debates about price and provision of ARVs, the daily need for aspirin, anti-diarrhea and anti-fungal medicines, soap and towels—among other basic commodities—for care of people with AIDS has been largely overlooked. The success of social marketing campaigns for condoms offers guidelines for making caregivers aware of the basic commodities to assist people with AIDS and for making those commodities—individually or in kits as have been tested in several neighboring countries—readily available. Any strengthening of local health systems must include assuring that basic supplies are available for the tens of thousands of people do not have and are unlikely to get access to ARVs.

Treatment and prevention are recognized as mutually reinforcing. Treatment now includes provision of ARVs and accompanying medical and laboratory monitoring of drug use. Although the price of ARVs has moved within range of middle-class people, cost continues to be a major barrier to government and most individuals. To date elsewhere in southern Africa (with the exception of Botswana), provision of ARVs has been strongly biased in favor of wealthier and employed people in senior management or highly skilled positions. USAID/Zambia will be faced in the not too distant future with the question of whether and to what extent it should be involved in provision of ARVs. A move toward dealing with the issue can begin by assuring that all Mission staff and their families have access to ARVs and associated medical care.

Government has largely abdicated its responsibilities for providing for the well-being of all its citizens. This is especially evident around care of people living with AIDS and the families affected by HIV/AIDS. Into that void have stepped extended families, neighbors, community groups, local support groups, CBOs and NGOs. Much of the assistance offered is given by volunteers. Volunteers also play a central role in the viability and continuity of early childhood and orphan education programs in urban compounds in Zambia and in assisting destitute households with food and clothing. This is not to suggest that volunteerism become the new standard for responding to HIV/AIDS. It does mean that a wealth of talent and resources exists for expanding home-based care programs, for orphan support, and for identifying and addressing provision of basic needs. Faith-based groups offer one avenue into drawing upon and organizing volunteers (it should be noted that “organizing” may be the wrong term, as some volunteer efforts are spontaneous and resist outside organizing).

Health

The team recommends that the next CSP strategy contain interventions at the policy and national level, in health service delivery, and at the community level. The programs at national and community levels should contain distinct elements of multi-sector intervention, with contributions from other existing SO teams.

At a **policy and national** level, the team recommends two approaches that together provide for expansion at this level:

1. Health Sector Intervention: Technical support on health policy development, planning and systems management to the government. Such an intervention should be based at the CBOH and should focus on building a continuous and organic relationship with the government. This intervention would build on ZIHP-SYS, integrating its activities into government. Parallel institution building must be studiously avoided.
2. Multi-Sector Intervention: Advocacy and technical support for high level multi-sector responses to HIV/AIDS, probably at Cabinet Office, with further focus on the Ministry of Finance Budget Office/Planning Unit, as well as sector ministries and the currently under-utilized “focal-point” system. This activity should be jointly owned and ought to be funded by all SO teams in USAID; it builds on the Policy Project. The results sought must allow for the variable process of advocacy. Again, parallel institution building must be carefully avoided. The objective of this intervention is to optimize the GRZ's multi-sector response to HIV/AIDS and ensure that planning and implementation in all sectors are sensitive to the priorities caused by the current situation.

At a **service delivery** level, the team recommends a continuation of *health sector interventions* that seek to improve the delivery of quality services. These programs may include the activities currently found under ZIHP-COM, ZIHP-SOM, ZIHP-SERV and other activities such as interaction with CHAZ. In considering future directions for these activities, the SO3 planners should ensure that there is an adequate balance between the “hardware” and “software” needed to achieve effective outcomes. Furthermore, the interventions should tackle the problems of incentives for performance at local level, particularly for volunteers on Neighborhood Health Committees. Such incentives may include resources to carry out their roles effectively (e.g. bicycles, printed materials, training), as well as recognition.

At a **community** level, the team recommends a major increase in USAID activity, developing *multi-sector interventions* to support community actions. Funding would be shared among the SOs, and implementation would involve decentralizing multi-sector funds to districts, providing funds to be administered locally in response to community-identified priorities. District level facilitation would be necessary. Complementarities with other USAID or other activities should be maximized. The availability of multi-sector funds at district level would support locally identified appropriate responses and increase the leadership, capacity and participation of local government in coordinating district responses. Support would be directed to communities, directly or through existing institutions, faith-based organizations, NGOs and CBOs. Activities would use participatory methodologies to increase community capacity and action to identify priorities and implement key activities. The ultimate objectives of this program would be to increase household food security; increase access to basic services; ensure an adequate childhood and education for OVCs; increase local capacity for sustained development; and raise household incomes. The success of this intervention will be assisted if the intermediate results defined are appropriate and useful, recognizing the flexibilities and time frames required.

Education

Most of the USAID-supported activities are rather recent: interactive radio instruction, educational management information, school health and nutrition, community sensitization and mobilization. Being innovative and promising, they look to be excellent interventions. For the next few years, in the near future, the first emphasis is therefore suggested on consolidating and reinforcing gains, measuring early results and extending the programs accordingly. If their promise is borne out, additional funding that may become available should go first to improve and enlarge the activities before new interventions are launched. Scaling-up is being planned for the near future but is likely to run over into the next CSP period. It should be done as soon as possible but with all deliberate speed, maintaining quality as the first consideration. An example of consolidation and reinforcement could be aligning curriculum in interactive radio instruction closely to Basic School Curriculum to enable out of school children to join the formal school system when they are so able. Hence the need for teachers to be equipped with IRI curriculum knowledge so that they can absorb entrants with IRI background. Community radio stations could augment Educational Broadcasting in expanding the catchment net of IRI. USAID support to a program to familiarize serving teachers with IRI would be extremely helpful to bridge the chasm between IRI and the formal basic school system. USAID should also consider proposing that radio instruction be added to regular classroom teaching (along with the present outside-the-classroom approach, thus requiring two content sets) and that HIV/AIDS messages be infused throughout all radio content as a matter of urgency.

A USAID involvement in MOE's decentralizing of functions to provincial, district and community structures would be desirable and welcome. Support would be valued if it helped to reinforce the capacity of lower level structures to exercise the prerogatives to be devolved to them from the center. USAID might wish to consider how it could help to strengthen education decision making, policy analysis, education planning and implementation, supervision, human relations, and data collection, analysis and utilization, the latter through extending the benefits of EMIS down the line to more districts. Closely related to these matters is weak management capacity particularly at provincial, district, and school levels. Management weakness has fueled fears of misuse of resources at lower levels and thus constrained MOE from granting authority to lower levels to liquidate funds. The lack of management capacity at provincial and local levels may ironically encourage centralization, not decentralization of power. Hence USAID may wish to look at the possibility of supporting the building of managerial capacity at the center and in field structures at provincial, district and community levels in the service of decentralization as well as better management. And the MOE's broad lack of capacity to liquidate procurement funds properly is a particular matter that USAID might also examine as it considers its program in the coming strategy period.

Chapter 6 - Implications for Further Research

Based on analysis of the Zambian context and the experience of USAID/Zambia, other donors and the private sector, the DAI Team finds that further research is warranted to improve understanding of Zambia's development challenges as the new CSP is prepared.

In addition, the DAI Team notes the importance of ensuring that each sector assessment laying the foundations for USAID/Zambia's new CSP include attention to gender-related obstacles and opportunities. This will enable USAID/Zambia not only to comply with new ADS requirements for gender mainstreaming but will also provide critical information with which to identify program emphases and design activities.⁴⁵ Some examples are incorporated in the sector-based treatments below. In addition, however, the scopes of work for each assessment should (1) expressly require attention to gender-based obstacles and opportunities, (2) ask the team to identify women leaders or organizations who may be effective partners for USAID programming and (3) require that one member of the team have established expertise with gender analysis. A complementary approach is for USAID to commission a separate gender study.

HIV/AIDS

- 1) Farming households are extremely likely to mention HIV as a cause of labor shortages. These shortages may be due to illness; attendance at funerals; additional domestic responsibilities (e.g. nursing). But there are no organized reports / research on the causes and implications of labor conditions for hunger, rural poverty, children's and women's welfare, etc. To what extent are women spending more time farming, and therefore away from their other tasks, and to what extent are young boys or girls engaged in farming activities instead of attending school?
- 2) The burden of care giving and orphan care has fallen especially hard on older women and men and middle generation households. What are some of the implications of the burden on care on these households and groups?
- 3) A fuller understanding of the mobilization methods and experiences of local organizations would be useful, including instances of, motivating factors for and outcomes of spontaneous community actions. What role do volunteers play in local mobilization? Who within the communities is launching or leading community action – youth, older people, women? How do they manage civic activities in addition to the new burdens of labor and caretaking caused by HIV/AIDS?

⁴⁵ With regard to gender analysis, ADS 201.3.4.11 (b) states: “Strategic Plans must reflect attention to gender concerns. Unlike other technical analyses described in this section, gender is not a separate topic to be analyzed and reported on in isolation. Instead, USAID’s gender mainstreaming approach requires that appropriate gender analysis be applied to the range of technical issues that are considered in the development of a given Strategic Plan. . . .”

4) HIV/AIDS has highlighted gender issues, especially for girls and young women. It can be argued that among the biggest constraints to halting the epidemic are those caused by gender problems. From early childhood girls are taught to behave in a way that ensures that their independence and negotiation skills are minimal, and their self-confidence is eroded. This issue may need further research, especially to support prevention and behavior change programs aimed at the silent majority. In particular, the links between early childhood and teenage capacity to respond might be investigated. While some responses may involve girls, others may involve boys. To what extent are boys and men recognizing their responsibilities? Do donor programs work particularly with boys and men to address gender-based power issues? What approaches are used -- public information and role models (such as soccer or music stars), school curricula, traditional male groups and rituals?

5) Given that HIV/AIDS will continue for the foreseeable future to affect all efforts to promote pro-poor growth, it is essential that we fully understand its impact. Such knowledge can then feed into the design of appropriate interventions to assist in mitigating its effect. It can also help to persuade people to take the measures needed to deal with the issues. The impact of HIV/AIDS on the following needs to be examined:

- agricultural economy and food security;
- the labor market (and the impact on comparative advantage);
- labor productivity and;
- SMME businesses.

In addition, it is recommended that studies be carried out in:

Market network needs. To establish the national, provincial, district and micro-level needs for development of agricultural produce markets, the management needs and criteria for siting. To determine the needs for infrastructure, including sanitary and communication facilities.

Market competitiveness. To assess Zambia's competitiveness in the context of regional and international trade agreements.

Agricultural market demand. To establish a constant or reiterative capability to identify market opportunities for raw materials, unprocessed products and added value products for the short and long term for domestic, regional and international markets.

Demand for resettlement of farmers. To improve the understanding of the needs for the re-establishment of farmers and the services that would be required to enable them to play a full role in commercial development of agriculture and other rural industries.

Forest reserves. To establish the baseline of forest reserves and to determine the needs for their re-forestation and enrichment.

The loss of **agricultural production knowledge** due to deaths of farmers to HIV/AIDS.

Understanding the impact of HIV/AIDS on **household fixed assets** – such as land, buildings, large livestock – and an analysis of the **implications of the impact for rural livelihoods**, including equity.

How HIV/AIDS is addressed by women and men in rural communities: Is it discussed? Who is viewed as knowledgeable (Older women? Village leaders? Teachers?) Are there community-based rituals and methods of transmitting health information to adolescents – both traditional and innovative – and do they include HIV/AIDS?

Governance

It would be useful to commission a study that will seek to ascertain the links between good governance and economic growth, which is necessary for poverty reduction in Zambia. The study should include examination of the extent to which donors themselves practice good governance in the manner in which they provide assistance intended to promote sustainable human development.

While good governance may result from good leadership or from outside pressures, it often stems from effective citizen demand. Given the poor effectiveness of government services in Zambia, it would be helpful to know whether there are any instances – local as well as national – of good service delivery. If so, to what is it attributed? Are there citizen groups that demand the services, or is it only patronage? Are there any instances of watchdog groups? To the extent that there has been little pressure from citizens on the demand side, are there opportunities to strengthen it – again either local or sectoral? Which groups would benefit, and to what extent do they include potentially effective partners?

A sector assessment of governance (and democracy) in Zambia should include information regarding women in elected and appointed office, women as voters, women as constituents (in nongovernmental organizations or advocacy groups), etc. It should determine the extent to which consensus regarding the Constitution includes that of well-informed women (rural and uneducated as well as those in Lusaka). As the contextual study emphasizes the importance of linking governance with all sectors and with service delivery, a governance assessment should look at women as consumers of government services. If possible, investigation of corruption and patronage would include attention to perpetrators and victims – and whether there are gender dimensions to that as well. Consideration of effective partners should include attention to women's groups but also to women within mixed groups whose roles and effectiveness might be strengthened.

Gender

Areas of further research are two-fold: First, it is important to mainstream gender into the sector assessments. The Mission should use their interviews and data collection to develop sector-specific versions of the general gender hypothesis. The sector assessment teams should meet with women's organizations to solicit their input and to assess their potential as future partners. A second element is to determine what gender training has been implemented by and within the GRZ (and by which donors) and to gauge the breadth and effectiveness of gender competency.